





## Food Investigation Committee

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Report  
of the  
Food Investigation Committee  
Hyderabad

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Map of Hyderabad State showing Districtwise Population and Average  
Production of Cereals.

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RELATION  
PER  
SICENSUS

AVERAGE PRODUCTION OF FOOD GRAINS  
FROM 1946/47 TO 1950/51 (IN TONS)

	RICE ☐	WHEAT ☐	JAWAR ☐	BAJRA ☐	MAIZE & BARLEY ☐	MINOR MILLETS ☐	GRAM ☐
12 163	22 797 6	419 4	53 656 4	119 2	34 09 4	731 2	1309 8
14 458	12 97 6	9 229 8	77 326 0	16 565 2	469 0	1733 2	11 555 4
16 552	13 553 6	26 8	10 236 4	995 0	1 302 6	2 030 4	2 273 2
18 676	1670 8	3 343 0	63 508 6	11 593 8	375 4	2516 8	724 8 0
20 550	5 318 0	1 030 0	47 187 4	1 866 6	353 0	3 087 4	16 567 8
22 099	9 208 0	2067 0	101 653 0	7 408 8	172 2	11 375 4	14 658 6
24 313	63 391 8	34 0	23 233 6	43 0	22 774 6	621 6	571 6
26 539	26 353 0	13 5	34 710 4	3622 4	219 0	16 083 8	1147 0
28 648	43 276 4	85 6	14 627 8	53 4	5 463 8	3 469 4	3 267 8
30 301	48 378 0	9 0	36 621 0	12 105 0	630 8	3 916 6	810 0
32 550	5 310 6	1443 8	71 642 4	4 16	307 8	691 8	7792 6
34 077	69 063 6	73 4	9 258 4	2 2	4 136 0	2 810 4	2 930 6
36 289	2 485 0	4 054 0	73 296 4	2 401 2	725 0	2 284 6	18 004 8
38 945	1468 8	2 896 0	74 403 8	388 0	200 2	1 474 4	12 627 2
40 600	4 446 2	767 8	88 315 6	7617 6	31 6	18 735 0	7 456 4
42 292	70 356 2	9 4	44 268 2	1 252 8	3 472 0	9 68 0	4 40 4
44 52 564	391 496 6	26 226 4	803 354 4	66 436 2	74 647 6	72 563 4	110 992 0



## CHAPTER I

### *Introductory*

#### **Constitution and terms of reference**

The Committee was appointed in G. O. No. 1349/GAD-S/F-3-S/51 dated 14th February 1951, as Hyderabad Co-operative Commercial Corporation Enquiry Committee, consisting of

Sri C. P. K. MENON (Chairman)

,, T. SESHACHARI (Member)

The terms of reference to the Committee were:

(1) Whether the procurement, storage and distribution system at present obtaining in Hyderabad State should be changed entirely and some new method evolved in its place;

(2) Whether the H.C.C.C. should be reverted to its original position of a Joint Stock Company or converted into a Government Department, or remain as it is ;

(3) In case there need be no change in the constitution of the H.C.C.C. what reforms are necessary to make the body more efficient and economic ; and

(4) To suggest retrenchment that may be considered desirable.

The Committee was requested to submit its report within three months from the date of the commencement of its work. As the terms of reference related also to procurement and distribution with which the H.C.C.C. was not directly concerned and as an enquiry such as was contemplated would naturally cover all aspects of the Food administration in the State, including some not specifically mentioned, it was considered desirable to modify the designation of the Committee and the terms of reference so

as to indicate the Committee's functions more accurately and not to restrict the scope of its enquiry only to certain aspects. The Government accordingly in their Order No. 909/ADM (Supply) dated 16th March 1951, designated the Committee as "Food Investigation Committee," and revised the terms of reference as "to investigate the food administration in the Hyderabad State with special reference to the working of the Hyderabad Co-operative Commercial Corporation, and recommend improvements or changes that may be found necessary."

2. The Government added a non-official member to the Committee in their Order No. 909/ADM (Supply) dated 16th March 1951 and appointed Sri Madapati Ramachandra Rao.

3. The Committee started its work on 12th February 1951 with the Chairman and one Member (Sri Seshachari). The non-official member (Sri M. Ramachandra Rao) joined the Committee on 21st March 1951. The Committee regrets that it was not able to submit its report within three months, the period originally sanctioned, but had to apply for extensions, because one of the members Sri Seshachari was part time and could not devote his attention entirely to the work of the Committee, and there was a delay of five weeks in the appointment of the non-official member. There were also unanticipated delays in the receipt of statistics and other data required for framing schemes and called for from the Revenue Department. Some of the information required did not reach the Committee upto the time of the report as it had to be collected in the districts. The information, when ready, will however be useful to the Government in working out details.

4. The Committee examined the working of the H.C.C.C. inspecting its offices, and toured five typical districts (normally surplus, normally deficit and normally self-sufficient), including the districts where the Collectors have been

entrusted with the full food administration in the district as an experiment, and studied the procurement, storage, rationing etc., schemes working at representative centres. The Committee also discussed with, and had the benefit of the views of, the officials in the districts and at headquarters entrusted with food administration, and also some prominent members of the non-official public and non-official bodies in districts and at headquarters, representing various interests or otherwise interested in food administration.

### **Plan of the Report**

5. The chapters in the report are in the following order:

(1) General features of the State.

(2) A brief history of the origin and development of the H. C. C. C. for the examination of whose affairs the Committee was first mainly intended, criticisms on its working and recommendations about its future.

(3) Procurement system in force, its theory and practice, and criticisms.

(4) Storage, transport and milling-systems in force and criticisms.

(5) Distribution (Rationing)—Various systems in operation and criticisms.

(6) Prices policy—procurement prices, incidentals, consumers' price, and criticisms.

(7) Food organization, present and criticisms.

(8) Recommendations regarding (3) to (7) for the future.

(9) Other subjects connected with food administration, directly or indirectly.

### **Acknowledgements**

6. We acknowledge our appreciation of the willingness and enthusiasm with which the Committee's Secretary, Sri M. S. Hanumantha Rao and the other staff worked



throughout. The Secretary's work was difficult, collecting a large mass of statistics and other information, arranging the Committee's tours and taking notes of the various interviews and discussions by the Committee. We also appreciate the help rendered by Sri Siva Chandra, Assistant Secretary, Supply Department, at the final stages of the Committee's work in collaborating the materials for our report.

We are grateful to the officials and non-officials whom we interviewed, for the willingness with which they responded to our invitation and the useful views which they frankly placed before us.

The Committee worked as a united and understanding team and desires specially to record its appreciation of the complete co-operation and very helpful suggestions from the non-official point of view, which it got from the non-official member Sri M. Ramchandra Rao.

C. P. K. MENON  
M. RAMCHANDER RAO  
T. SESHACHARI

*25th June, 1951*

## CHAPTER II

# *General Features of the State*

### **Area and population**

7. The area of the State is 82,698 square miles. The population was 16,338,534 in 1941. Of this 8,711,766 were in the Telingana and 7,626,768 in the Maratwada (including Karnataka). According to the Census of 1951 the population of the State is 18,652,964 with 10,105,897 in Telingana and 8,547,067 in the Maratwada. The increase in the Telingana population during the 1941-51 decade is about 17% and in Maratwada 11%. The urban population in 1941 was 2,194,294 and rural 14,144,240. Similar information according to the 1951 census is not available yet.

### **Production**

8. The overall increase in the population of the State is 2,314,430 (i. e. about 14%) and this extra population would require additional foodgrains of about  $1\frac{1}{2}$  lakh tons a year. But unfortunately, in Hyderabad, while the population has grown, the acreage and production of foodgrains have greatly diminished as shown by the following figures supplied to the Committee :—

**Statement showing the area sown under food crops in Hyderabad State**  
(Figures in '000 acres)

SERIAL NO.	Year	Rice	Jowar	Wheat	Bajra	Maize	Kaagi	Other small milletts	Barley	Total Cereals	Pulses	Total
1.	Average for 5 years from 1938-39 to 1942-43	1063	9704	1123	1676	556	206	Separate data not available	10	14338	3769	18107
2.	1943-44 (Cash crop regulation)	1403	9281	696	1828	428	126	708	16	14486	3195	17681
3.	1944-45	1299	9134	654	1835	433	140	870	6	14371	4290	18661
4.	1945-46	1419	7462	485	1293	369	116	781	8	11933	4838	16771
5.	1946-47	1252	6818	399	1013	354	89	745	8	10678	5106	15784
5.	1947-48	1305	6245	203	1099	376	101	954	8	10291	5699	15990
7.	1948-49	1243	6104	263	898	348	91	857	9	9813	5216	15059
8.	Average for 5 years from 1944-45 to 1948-49	1304	7153	401	1227	376	107	841	8	11117	5036	16453
9.	1949-50	1393	6608	384	925	347	112	822	11	10602	5592	16194

**Statement showing the foodgrains production in Hyderabad State  
(Figures in '000 tons)**

Serial No.	Year	Rice	Jowar	Wheat	Bajra	Maize	Ragi	Other small millets	Barley	Total Cereals	Pulses	Total
1.	Average of 5 years from 1938-39 to 1942-43	396	1672	147	143	91	5	Separate data not available	2	2456	480	2936
2.	1943-44 (Cash crop) regulation	437	1226	77	166	52	18	74	2	2052	336	2388
3.	1944-45	448	1225	72	190	53	22	81	1	2092	444	2536
4.	1945-46	479	848	52	105	34	14	65	1	1598	500	2098
5.	1946-47	488	898	5	76	23	9	59	1	1559	459	2018
6.	1947-48	459	865	20	73	54	11	74	1	1557	573	2130
7.	1948-49	363	624	14	53	34	10	62	1	1161	487	1648
8.	Average of 5 years from 1944-45 to 1948-49	447	892	33	99	39	13	68	1	1592	492	2084
9.	1949-50	347	800	42	65	28	12	66	2	1362	586	1948

## Reduction in area cultivated

There has been a sharp decline in cereal acreage. Basing calculations on the year just after the promulgation of the cash crop regulation i.e. 1944-45, it will be noticed that by the year 1949-50 the cereal acreage diminished by 38 lakh acres and production by 7.3 lakh tons. Corresponding with this fall under cereals there was an increase of 13 lakh acres and 1.42 lakh tons in the area and production of pulses. Even under the more important oilseeds the acreage during the same period fell by 6.2 lakh acres. Under other miscellaneous crops, however, there was an increase of about 5 lakh acres. In the aggregate there was decrease of 26 lakh acres in the total cropped area. In the same manner it may be seen that the decline in total cropped area during the period 1944-45 to 1948-49 was 42.5 lakh acres. Simultaneously, the area under 'fallow' has steadily increased from 1944-45. In 1944-45, there were 7,639,348 acres (printed in the Statistical Year Book as 7,649,348) under fallows and in 1948-49 this area under fallows had increased to 15,170,809 acres, the increase being 75 lakh acres i.e. nearly 99%. When the total fall in the cropped area was only 42 lakh acres, it is difficult to reconcile how the fallows grew by 75 lakh acres. Comparing these figures of fallows with the net area sown it will be seen that while the fallows increased from 76 lakh acres in 1944-45 to 151.7 lakh acres in 1948-49, the net area sown diminished from 264.7 lakh acres to 223.2 lakh acres i.e. by 41.5 lakh acres. Here again it is difficult to reconcile how the fallows could increase by more than the decrease in the area sown.

9. The Cash Crop Regulation operated against the large scale cultivation of cash crops while the old system of collecting levy grains at a flat rate per acre (and any system of levy collection for that matter) induced the cultivators to have a smaller acreage shown under cultivation against their names than the actual acreage. A probable explanation is that the village officials colluded in the matter as it

lessened their burden to have a smaller target of collection fixed by showing a lower production of foodgrains. A separate Committee has been appointed by the State Government to make a detailed enquiry into the growth of fallows and the remedial measures necessary in that direction and the discrepancies referred to above may perhaps be resolved by that Committee.

### **Unreliability of statistics**

10. A comparison of the acreage under the foodgrains and their production during the pre-cash crop regulation period and the years subsequent to it has led to interesting results. The average area under cultivation of rice during the 5 years 1938-43 was 1,063,000 acres and production 396,000 tons which works out to an average yield of .372 tons (10 maunds) per acre. Similarly in the year of Cash Crop Regulation i.e. 1943-44, the yield was .311 tons. In the year immediately after the Cash Crop Regulation, i.e. 1944-45, it was .345 tons. In 1949-50 the yield came to .250 tons (i.e. 6.75 maunds). Likewise in the case of jowar the yield which was 4.64 maunds on an average for the 1938-43 period declined to 3.26 maunds per acre in 1949-50. In explaining this feature, the tendency for administrative suppression of the figure of production and for a conservative estimate of the "annawaris" will have to be reckoned with. With such uncertain statistics it would be difficult to locate the exact reasons for the continuously deteriorating food position of the State.

### **Pulses as staple food**

11. While the food position has, in general, been discouraging, the fact that a substantial portion of the Maratwada population utilises pulses as almost staple foodgrains in combination with millets and that in a few parts of the Telingana the less important pulses such as Lobha and Ballar and even custard apples during the season, are taken as staple food have been helpful factors to the Government

in partially relieving what would otherwise have been a very serious problem.

### **Unfavourable conditions in the State**

12. Food policies, which have to be administered with intelligence and exactness on the part of the village officials suffer a further handicap in this direction in Hyderabad. The Patels and Patwaris and their general administrative efficiency are far below the required standard. In fact the enforcement of the Bombay Levy Scheme suffered chiefly because the village administration and records left much to be desired. Conditions in the State have not also been happy. There has been the 'agrarian trouble' in the Telingana districts, then the Razakar regime before the Police Action, and the still unsettled conditions in various parts of the State which have not given a sense of normalcy to the agriculturists.

### **Lack of co-ordination in main policies**

13. The growing of more food has been pursued with all seriousness and the Agricultural Department has been making efforts towards maximising food production. In the Department of Supply, the Bombay Levy Scheme envisages the maximising of food procurement by imposing a higher scale of levy on the large holders and exempting the small holders. In the Department of Revenue, agrarian reforms contemplate a more equitable distribution of land by splitting the large areas concentrated in the hands of the well-to-do agriculturists. These objectives make us feel that co-ordination is lacking and the Government is perhaps unwittingly subscribing to two contrary policies in two different departments. The Supply Department working on a war footing and charged with collection of large quantities of foodgrains expects to achieve its goal by taxing large holders while the Revenue Department aims at cutting away large holdings and splitting them amongst small holders.

Similarly the Grow More Food efforts with tractor ploughing would bear better fruit by relatively large scale farming, and if agrarian reforms were to be pursued in the present way, large scale farming will not be in existence to the same extent as at present. The land reforms and the change over of Jagir and Samasthan administration into Diwani have also put the agriculturists into an uncertain frame of mind. Notwithstanding the need and usefulness of such reforms in a different context, they have not infused security in the minds of the larger cultivator as he is hesitant to invest the requisite care and capital on lands of whose possession he feels uncertain.

14. Any recommendations with regard to food administration in these fluid and difficult circumstances will therefore require a very cautious and careful implementation. It would be well to quote in this connection the observations of the Food Procurement Committee set up by the Government of India in 1950 :—

“It is not possible to appreciate the food position, particularly in the administration of controls, without constantly keeping in mind the chequered history of the State and its people during the last few years. Politically, administratively and economically, conditions still remain far from settled and this position inevitably has its influence on the production of food, procurement, distribution, the reaction of the people, and the capacity of the administration. A food policy has, in these circumstances, to be administered in an altogether fluid and difficult context.”



## *The Hyderabad Co-operative Commercial Corporation Limited*

### **Origin, constitution and early history**

15. With the outbreak of the Second World War it was realized that a general inflationary tendency was bound to set in and that the introduction of a price control of at least the more important commodities would become unavoidable. In Hyderabad, the Revenue Department for sometime, the Commerce & Industries Department for sometime later, and then the Revenue Department again, were entrusted with the price control which was mainly confined to wheat, sugar, jowar, kerosene, matches and paper. But the prices so fixed were not statutory and were applied only to sales made through licensed retail shops specially opened. The result was that the prices in the open market rose high and it became necessary for the Government to fix statutorily the maximum prices for one commodity after another. Experience had shown that unless steps were taken to enforce the controls and ensure the supply of atleast the bare necessities of life to the consumers, a very embarrassing situation was bound to develop. It was also increasingly felt that in order to enforce the price controls, physical possession of stocks by the Government and also catering by them to some extent was necessary, as the food position was visibly taking an ugly shape and there was apprehension of a food shortage over a large area of the State. It was at this stage and in consideration of the heavy financial investment that would be necessary, that the Government of Hyderabad decided to set up a central organization called the Hyderabad Commercial Corporation to undertake this work, subject to the overall

administrative control of the Government. The Hyderabad Commercial Corporation thus came into existence. It was registered as a Joint Stock Company on 27th February 1943 under the Joint Stock Companies Act, and started work from 1st March 1943. A Board of Directors consisting of 20 members, 11 of whom were officials and 9 non-officials, was nominated by the Government and the shares of the Corporation, all of which were held by the Government, were transferred in the names of the nominated Directors to the extent of the qualifying number and simultaneously re-secured by a blank transfer deed being signed in advance by the holder.

### **Finance of the H.C.C.**

16. The authorised capital of the Hyderabad Commercial Corporation was Rs. 10 lakhs and the subscribed capital Rs. 1 lakh. The various objects set out in the Memorandum of Association were more a formality as there was no immediate idea of the Government embarking on a trade in all the articles mentioned therein. All attention was focussed on purchasing and building up a buffer stock of foodgrains. In the initial stages the purchase of grains was being made directly from the merchants and sometimes on a commission basis, and it would appear that the advice of a non-official Director who was also designated as the Purchase Adviser weighed considerably with the Corporation. The average market prices in the various producing areas and also the incidentals based on reasonable trade expenses incurred for handling and moving foodgrains to places within the producing areas and also to secondary markets such as Hyderabad and Secunderabad, had been fixed in consultation with the Finance Department. The purchases were subject to these rates. The foodgrains so purchased from merchants, not being sufficient to meet the growing requirements of the retail shops opened by the Government, the assistance of Co-operative Societies and Taluqdars who exercised requisitioning powers, was soon

enlisted for increasing the procurement. The returns even under these arrangements were not substantial and, with further deterioration in the food position and a serious shortage of rolling stock the Government was obliged to exercise more power and exert greater pressure for the collection of grains. These circumstances led to the Government's system of purchase by levy on the producer.

### **Functions—Purchase**

17. A compulsory levy scheme under which it was obligatory for every cultivator to deliver grain to Government at a flat rate of  $\frac{3}{4}$  to 2 maunds per acre in the case of jowar and 3 to 4 maunds in the case of paddy was introduced in October 1943. This levy brought in larger supplies than before and the Hyderabad Commercial Corporation had therefore begun to grow in size and finances. The Hyderabad State Bank which was in charge of financing the purchases of the Corporation and had arranged to advance about Rs. 35 lakhs during the earlier stages, felt itself unable to finance the extensive operations relating to the compulsory Levy. The Government, therefore, directly took over the responsibility of providing funds to the Corporation at 3% interest and the loan of the State Bank was liquidated in full. One stipulation of the Government loan was that the Corporation should pay all sale proceeds from time to time towards the repayment of the loan. In course of time the Government found that they had not succeeded in obtaining enough stocks to satisfy the full needs of the deficit areas including towns. This apart, as a State surplus in millets and pulses, Hyderabad was expected to contribute reasonable export quotas to the general pool for supply to other deficit areas in the country. A monopoly order which provided in the early stages for rice and paddy and subsequently for jowar and wheat was also promulgated, whereby no person other than the Government or the Hyderabad Commercial Corporation could buy or sell these grains. With this added

responsibility, the Hyderabad Commercial Corporation had to expand its purchase department. A re-organization scheme was worked out whereby the Purchase, Transport and Godown Sections were considerably augmented and each of them placed under a Chief Officer who was responsible for the successful working of the concerned section. In the districts, a District Corporation Officer with sufficient executive and office staff to effect purchases, supervise godowns and arrange transport was appointed. A Disbursing Officer on the side of Finance was posted at each of the Suba Headquarters for maintenance of accounts of the districts pertaining to that Suba and for providing requisite funds and effecting payments for purchases and transport and godown operations within his area. Later in October 1945 the Disbursing Officers were re-named as Assistant Accounts Officers and posted at each of the districts instead of at the Suba Headquarters only; later again, the Assistant Accounts Officers were designated as Disbursing Officers. During this period, a certain amount of public criticism began to manifest itself against the handling of grains by the Hyderabad Commercial Corporation. The merchant class which had lost a substantial slice of business from their hands and apprehended further ramification of the Corporation into other fields, looked upon it as aiming at the widest possible State trading and wrenching business from the hands of people who were not finding favour with the Government then in power. It would be difficult at this distance of time to say how far these fears were just or unfounded. But the fact remained that a feeling of injured interests, and a certain apathy and suspicion with regard to the working of the Corporation were gaining ground. To combat this feeling, various measures were considered and after protracted discussions with the Anjuman-e-Sahukaran, and Vyapariyan, a seemingly suitable solution was evolved, whereby experienced businessmen were appointed as Local Units of the Corporation at various places in the districts. These Local Units

were entitled to a commission of 0-1-6 per palla for all commodities except for paddy for which 1 anna per cent on the cost of grains in the charge of Local Units was paid. Besides, another 1 anna per palla towards supervision of milling work and conversion of paddy into rice and an amount of Rs. 15 to 20 per 100 pallas towards hamalage and incidental charges were also paid to the Local Units. These Agents had to sign bonds and deposit cash security to the extent of two per cent of the total expected receipts in the godowns under their charge. The rates of commission were later revised as 2 annas per palla of paddy and 3 annas per palla of other grains. Despite all arrangements, the tendency on the part of the cultivators to evade delivery of Levy demands and to sell available surpluses clandestinely in the market, could not be stopped. With a continually worsening food position within the State, and more markedly across the borders, the spiral of prices was inevitably rising in the teeth of controls. The profit motive being dominant, neither the producers nor the traders could see humanitarian considerations in delivering grains to the Government. Except for the first two years, i. e., 1944-45 and 1945-46, it cannot be said that the activities of the Purchase Section of the Corporation met with any success on their own initiative and strength. Considerable help from the Revenue Officers, who had frequently to exercise their authority, became indispensable for the purchase staff for securing any grains. Even payment of bonuses on paddy and jowar as additional attractions to the cultivators were not very fruitful.

18. One unhappy episode of this period was the inordinate delay and procrastination in making payments for the grains purchased from the producers. The purchase officials of the Hyderabad Commercial Corporation appeared to have felt that with the task of collections done, the responsibility for making payments rested not with them, but elsewhere, may be with the Finance Department—or with the Accounts Section. Some popular unrest and some

of the troubles in the Telingana are generally traced to this as the cultivators who had delivered grains almost at the point of the bayonet found themselves unable to secure the cost promptly. To reduce delays in payment and complaints from cultivators the Government set up Cash Units at every godown and mobile units for making payments at all temporary receiving centres. The loan advanced by the Government for financing the purchase operations varied from Rs. 3.96 crores to Rs. 10.22 crores during the years 1943-44 and 1944-45.

### Storage

19. Storage accommodation which was originally designed for holding the buffer stocks which Government wished to possess, was no longer adequate for receiving large quantities procured under the compulsory Levy and Monopoly systems. Scarcity of suitable godowns was so acute that in the bumper year of 1944-45, it is said, huge stocks were kept under trees covered with tarpaulins and in houses with mud walls and country roofing. This difficulty should have been foreseen and arrangements made alongside with the development of the purchase section. The position has considerably improved in recent years, but the wastage in the earlier years must have been considerable, although it remained undetected for nearly  $3\frac{1}{2}$  years, during which time no physical verification of the stocks was conducted. It would be interesting to note that during the years 1944-45 and 1945-46, Government of Hyderabad offered about 1,38,500 tons of millets for export under the Basic Plan of the Government of India. While only 45.2 per cent of this quota was completed, Hyderabad Government realised that their own stocks were not enough to meet the requirements, and pleaded to the Government of India their inability to complete the quota. There is a strong possibility that this failure to perform the commitment was at least partially due to the fact that the Government of Hyderabad had not obtained an accurate account of their physical stocks and

had based much of their food budget on the book balances of the Hyderabad Commercial Corporation. The results of the Physical Verification done during 1946 revealed that the actual balance of foodgrains on 31st July 1946 was 18,75,873 pallas, as against the book balances of 22,06,850 pallas. The shortage works out to 14.9% on the closing balances. This is indeed a high percentage of wastage but it would not be correct to determine losses on the closing balances keeping out of account the total receipts during the three years. The total receipts including transfer receipts during that period were 145.90 lakh pallas and the shortage on this works out to 2.26%.

## Godowns

20. The remedial measures taken for improving storage consisted in requisitioning better buildings and the construction of two Central Godowns in the City of Hyderabad at each of the 2 Railway Stations. A Godown Trust Fund with a corpus of Rs. 63.57 lakhs was also formed for building pucca godowns after selection of suitable sites in consultation with the Public Works Department. The number of godowns so far built and their capacities are as follows.

73 Twin Nissen Huts	8,76,000 bags
40 M. B. Sheds	3,60,000 „
90 Hyderabad Sheds	1,35,000 „
16 Pucca Godowns	80,000 „
4 Big Pucca Godowns	1,00,000 „

Total storage capacity at present is 15,51,000 bags in Trust Godowns as above and 14,98,068 bags on account of 851 private buildings.

21. Storage conditions in the godowns, prior to the Police Action were generally unsatisfactory. The grain was either stored in bulk in a haphazard manner without due regard to the godown hygiene, or in gunny bags piled up without any proper arrangement. Estimation of stocks or

counting of the bags was almost impossible as in many cases, it was not even possible to enter the godowns. A few members of the staff had been deputed to undergo storage training in classes conducted by the Government of India, but this knowledge remained either unproductive or useless as no opportunity was offered for utilising it.

22. Steps for the preservation of grains and prevention of insect attack, were being taken by employing D.D.T., and other chemicals. Although for obvious reasons this scientific treatment was not very systematic in the earlier stages, there was considerable improvement in the subsequent period what with the training received by the concerned staff at Bombay and Delhi and the general experience gained during the previous years. Gas balloons and fumigation covers have not been available and fumigation chambers have not still been constructed. It is explained that these omissions are partly due to the unavailability of the requisite material.

23. At the present moment the storage conditions and the general method of stacking etc., have definitely improved and are well comparable with other advanced States in India.

### **Transport**

24. In the early stages of the working of the Corporation, transport was mostly done by means of such carts and private lorries as were available in the State. As the work increased, this limited transport was inadequate for quick movement of grains and the Government of India had to be approached for supply of lorries under the Lease Lend Policy. The request made to that Government was complied with. These lorries were divided into mobile units and run under the management of the Railway Department. With the volume of work further increasing a large number of vehicles became necessary and in addition



to the R.T.D. lorries, private lorries and other vehicles of the Army and Royal Air Force were also brought into use. Transport work done for the Hyderabad Commercial Corporation appears to have become by then a lucrative proposition and a large number of private contractors and even those who had not previously done any transport work, threw themselves with great zest into this business and offered to work for the Hyderabad Commercial Corporation. The natural results of such a situation manifested themselves even in the Hyderabad Commercial Corporation and instances of favouritism and corruption were not lacking. These were, however, not peculiar to this Organization as in the conditions that had been set afoot, it was hard to suppose that a different organization or administration would have remained immune from these defects. Further evils also began to make their appearance. A demand for increased rates, indications of the formation of combines and threats of strike by the lorry contractors if a suitable response was not forthcoming from the Hyderabad Commercial Corporation, were noticed by about 1947. To face these contingencies and to have a safe stand-by in the event of a strike by the lorry contractors, the Hyderabad Commercial Corporation built up a road transport section consisting of 42 trucks and a modest workshop of its own. 37 of these trucks were re-conditioned Army trucks purchased through Messrs. Allenbury & Company, Calcutta, and it is reported that they were not quite satisfactory. This section was placed under a Road Transport Officer subject to the supervision of the Chief Transport Officer. When the Managing Director changed in September 1947 there was some distrust of the Road Transport Officer and there were some charges against him. He was consequently replaced by another. The new incumbent did not fare any better and his replacement too came soon enough. There is no doubt that the road transport section had not given a satisfactory account of itself as a large number of lorries

obviously an item of extravagant expenditure and could have easily been avoided by intelligent handling. It was again reported that the administration did not make full use of the Hyderabad Commercial Corporation lorries when they were available. While the lorries of the private contractors, or even Road Transport Department were found employed, the lorries of the road transport section even when they were in working condition remained unused. The inference is that a judicious control was lacking.

25. Although the charge of extravagance is there, it must be said to the credit of the Road Transport section, that at a time when transport was almost breaking down in the districts of Nalgonda and Warangal, owing to unsocial activities and unwillingness of private contractors to take risks, the Hyderabad Commercial Corporation lorries plied full steam and saved many ugly situations.

26. The terms on which Hyderabad Commercial Corporation has employed private lorries and the Road Transport Department (Railway) lorries bring one important factor to light and that is, in spite of sufficient systematisation and large scale working, the Road Transport Department has been more expensive than transport by private lorries.

27. As an agency of the Government, the Hyderabad Commercial Corporation has always received prompt attention from the Nizam's State Railway, and considering that the Corporation was dealing in food, it was but just that its requirements should receive priority. With speed as the essence of its work, the Transport Section of the Hyderabad Commercial Corporation has always busied itself and ensured swift movement of foodgrains from the surplus to deficit areas according to the Transport programme given to them from time to time.

### **Distribution**

38. The Hyderabad Commercial Corporation cannot

be rightly looked upon as a distributor of grains, as that duty falls on the Rationing Department. They were merely stockists and issued grains only to the retail and ration shopkeepers under the orders of the Rationing Department or the Revenue Officers in the districts. The issuing godowns of Hyderabad Commercial Corporation had only to clean the grains received by them and keep them stocked in standard bags for issue to the ration shops on the strength of the permits of the Rationing Department. The practice of having to re-weigh the bags in the presence of the shopkeepers, which was in evidence during the early stages has since been given up in view of the confidence created in minds of the shopkeepers. It is only when there is palpable slackness of the bag that the shopkeepers ask for re-weighment. Such instances are few and far between.

### **Quality standards of grains**

29. The losses arising as a result of cleaning the grains must have been substantially heavy during the early period as the procurement of the grains was unmethodical and not subject to any Fair Average Quality standards. In fact no specifications had been laid down by the Government of Hyderabad and the general Fair Average Quality standards were practically unknown. Some deductions were no doubt made in cases of large and palpable admixtures but the method was crude and consequently embarrassing to the cultivator and the merchants, who delivered the grains. The plea that the State was unable to introduce the Fair Average Quality standards as they were hard pressed for collection of grains and could not afford to reject even inferior grains, is not quite acceptable as the insistence on the maintenance of a proper standard for grains is not unusual and has always characterised purchases even in normal trade conditions. It was only at the continued insistence of the Government of India and after the observations of the Foodgrains Investigation Committee that Hyderabad appears to have laid down the Fair Average

Quality specifications. The actual application of these standards has still to be examined.

### **Disposal & abuse of the system of permits for export**

30. The procurement of the Hyderabad Commercial Corporation having reached a very high figure of about 45 lakhs pallas i. e., roughly 5 lakh tons during the year 1944-45 and the crop conditions being generally very fair it was apprehended that the off-take would not be substantial and that the rest of the grain, unless speedily disposed of would deteriorate and cause a heavy financial loss. To avoid such a result and also for looking after the proper export of quotas under the Basic Plan, the Hyderabad Commercial Corporation with the concurrence of the Finance and Supply Departments in February 1945, formed a new section called the Disposal Section under the guidance of a Chief Disposal Officer. As already observed, a correct idea of the actual physical balances of stocks was not available even for the Disposal Section, and although in their first flush of enthusiasm sales of yellow jowar in particular and disposal of other grains were taken up and even some exports to Marmagaoa arranged under special license, it was not realised that much of the planning of the Disposal Section, based on book balances, was bound to be erroneous. A very serious default in fulfilling the export quota and an urgent need for rushing stocks from one district to another soon became necessary. To regulate the movement of pulses, which were then included in the Basic Plan, the work of issuing permits for their export was also entrusted to the Corporation (Disposal Section). This work brought the merchant class into close touch with the Corporation. Stock certificates granted by the Co-operative Unions and sometimes by the Revenue Officers were made the basis for the issue of permits. The extent of corruption and the number of bogus certificates produced with the object of getting permits was almost phenomenal. The Financial Adviser as a Member of the Permits Committee

raised a very relevant objection to this procedure, when it was noticed that the Stock certificates produced by the various applicants certified to the existence of stocks far more than the entire production of the State. The system was, however, allowed to continue with all its imperfections and despite the fact that the genuine and honest businessmen fell into the background, while numerous spurious traders and pseudo-merchants came into the picture. Lawyers, retired teachers, various Government employees and even jewellery merchants thronged the Hyderabad Commercial Corporation to get permits for the export of pulses. In spite of the fact that the arrangements and procedure were purely according to the policy laid down by the Government, this was still unfortunately a dark chapter, in the history of the Corporation. Favouritism and influence counted for much. The profits realised were enormous as the difference between the market prices of pulses in Hyderabad and those ruling in the southern States particularly and even in Bombay and in Bengal was unusually large. Permits (although declared 'Non-transferable') began to sell freely in the markets. The authorities in the Government knew it full well; but no strong steps were taken against the offenders for obvious reasons, and the issue of permits for pulses seemed for a while to be the only job for which the Corporation began to be known in Hyderabad. During December 1946, consequent on certain changes in the administration, the Permit Section was separated from the Hyderabad Commercial Corporation and transferred to the Supply Department where it continued to run as a part of that Department.

### **Conversion of Hyderabad Commercial Corporation into a Co-operative Body**

31. The Government which had been contemplating a reorientation of the Hyderabad Commercial Corporation as a Co-operative organization by making it an apex body of the various co-operative unions in the districts working

on a smaller scale, decided to implement the idea by converting the Hyderabad Commercial Corporation into the Hyderabad Co-operative Commercial Corporation Limited.

32. Barring a few formal changes to conform to the provisions of the Co-operative Act, there is little to choose between the Constitution of the Hyderabad Commercial Corporation and the Hyderabad Co-operative Commercial Corporation. The Board of Directors was revised to comprise 21 members of whom 11 including the Chairman and the Managing Director were officials and the remaining 10 non-official representatives of the Taluka Development Unions; but the overall control of the Government remained as before. The subscribed share capital was raised from Rs. 1 lakh to Rs. 1,01,000 and each of the Member Unions represented on the Board held a share of Rs. 100. The hopes that had been built up about the Hyderabad Co-operative Commercial Corporation acting as the apex body or of giving a great impetus to the Co-operative Movement in the State were not realised. In fact the activities of the Unions and those of the Corporation had not much in common. The Unions soon began to secede from the parent body and many of them wound up their business; and the management of the godowns etc., at several places, which after the abolition of the local units had been given to the Co-operative Unions, had to be taken over by the Hyderabad Co-operative Commercial Corporation personnel. It would be unnecessary to discuss the charges and counter-charges between the Hyderabad Co-operative Commercial Corporation on one side, and the Co-operative Unions and Local Units on the other. The differences were so many and the accounts to be settled had become so badly complicated and mixed up that a Board of Arbitration and a Conciliation Committee under the Deputy Financial Adviser had to be recently formed for going into the accounts of each Co-operative unit and settling the dues, and another Committee of officials for

settling the accounts of private local units.

### **The growth of the Hyderabad Co-operative Commercial Corporation**

33. As briefly explained in the foregoing paragraphs, the deterioration in the food position, which became more pronounced year after year was mainly responsible for an involuntary expansion of the Hyderabad Co-operative Commercial Corporation. The original scheme of maintaining a buffer stock gave place to the need for making larger purchases to supply the requirements of the cities and the urban areas. As food position worsened, increased commitments became inevitable and necessitated the introduction of a Compulsory Levy Scheme to ensure an augmented collection of grains. This step finally culminated in the issue of the Monopoly Order whereby the Hyderabad Co-operative Commercial Corporation as an Agent of the Government secured the entire monopoly for handling paddy and rice to begin with and other foodgrains subsequently. It was with the introduction of the Compulsory Levy Scheme that the Hyderabad Co-operative Commercial Corporation was obliged to augment its purchase staff and extend its ramification over the districts. Apart from the Chief Purchase Officer with an appreciable staff at headquarters, the Corporation Officers of the districts were each specially given an Assistant Purchase Officer to help them in the purchase of grains. While the Hyderabad Co-operative Commercial Corporation was, no doubt, given the monopoly for handling foodgrains, it had not been given the powers to enforce this monopoly. The Assistant Purchase Officers, therefore, soon found themselves saddled with responsibility but without the power to discharge it. They had to look up to the Revenue Officers at every step for help in the procurement of grains and by stages almost became appendages to the Revenue Officers. In spite of this failure, no large scale retrenchment was thought of, except that the unengaged Assistant Purchase Officers were

absorbed in a new name as Taluka Corporation Officers. A parallel staff was maintained by the Finance Department at each district headquarters designated as "Disbursing Officer". To begin with, there were only four Disbursing Officers, each posted at Suba Headquarters, but later to effect prompt payments, one Disbursing Officer was appointed for each district and given a fairly large staff to scrutinise expenditure, arrange for payments and also to maintain detailed grain accounts. This position continues even today, in spite of the procurement having declined very considerably in recent years. A portion of the Purchase Staff has, however, been switched on to the work connected with the import quotas allotted by the Government of India.

34. The expansion of the Godown Section was inevitable in view of the need to introduce improved methods of storage and to undertake more effective methods of preservation of grains by entomological treatment and also to arrange for a more systematic stacking of bags. The responsibility of looking after the milling operations of paddy, and the fixation of 'Utarā' (out-turn) was also entrusted to the Godown Section. Milling accounts in Hyderabad presented many difficult problems and in many cases the Hyderabad Co-operative Commercial Corporation was unable to settle the accounts of the millers. Even the accounts were not properly kept and the difficulties in keeping track of the quantities of paddy that had been received at the mills both from the godowns and directly from the cultivators have not been resolved satisfactorily. In the latest administrative change a Special Officer has been appointed for looking after the milling operations and for the proper storing of grains in the godowns.

### **Government Control**

35. As a creation of the Government, the Hyderabad Co-operative Commercial Corporation remained faithful to



the stipulations and the various orders issued by the Supply and Finance Departments from time to time. The scales of pay of many of the employees were in the beginning fixed slightly higher than for Government employees of similar status, as it was realised that in a commercial concern a larger turn-over of work would be necessary on the part of the staff. The appointments were not made with due regard to educational qualifications or merit and the chances were that favouritism and personal considerations had influenced the appointment in several cases. The Managing Director had fairly wide administrative powers and he only looked up to the Chairman of the Corporation as the ratifying authority for the arrangements made by him. Even the Finance Department appears to have interfered very little during the early years. Later, however, the Hyderabad Civil Service Regulations were adopted by the Hyderabad Co-operative Commercial Corporation also and greater systematisation in the matter of appointments brought in. Then onwards the Finance Department began to tighten the strings and exercise control in most matters. Expenditure, which had been distinctly extravagant, was also clipped and the sanction of the Finance Department was made indispensable before any expenditure was incurred or sanctioned. In spite of this fairly rigid control, it is surprising that during the years 1945-46 the then Managing Director of the Corporation should have been able to spend fabulous amounts on various purchases and other objectionable transactions. This was significantly brought to light by the Statutory Auditors in their report during 1950. The Managing Director concerned had by then left for Pakistan and the matter was, therefore, only of academical interest. It was equally surprising that to stave off a short supply of meat owing to a strike on the part of the butchers, the Corporation was persuaded to take over the entire business of meat supply in Hyderabad during 1947. This business ran for about  $5\frac{1}{2}$  months; but it was so badly mismanaged that it resulted in a loss of Rs. 2,25,810 to the Corporation

and this out of a total purchase amounting to only Rs. 3,85,855! The business was neither straight nor the management efficient. The story did not end there and the case has now gone for arbitration, in which some of the meat suppliers have put forward a claim for compensation and damages, etc., to the extent of over 16 lakhs against the Corporation. The case is *subjudice* and further comments are not advisable. It would perhaps be wise counsel for the Hyderabad Co-operative Commercial Corporation to agree to less of arbitrations and take the consequences of any legal proceedings even if such proceedings were launched by the parties concerned. The explanation of the Corporation that it embarked on the meat business in obedience to the Government's Orders and not of its own choice appears fairly convincing.

After the Police Action, governmental control over the Hyderabad Co-operative Commercial Corporation appears to have tightened still further. The control of the Finance Department on the side of expenditure and financial sanctions being there, the Supply Department had also begun to examine minutely the various administrative arrangements in the Corporation. Most of the subsequent appointments and almost all cases of appeals, etc. were scrutinised.

### **Fixation of prices — profits and losses**

36. One particular point around which much misunderstanding seems to prevail and requires clarification, is in respect of the fixation of prices both for procurement and for sales. A more detailed survey of the price structure and the basis laid down for the fixation of procurement and issue prices has been considered in a separate chapter on prices policy. But it would be well to remember that the incurring of any expenditure or the fixation of prices has never been left to the Corporation. This work has been sedulously kept under the control of the Finance Department to whom proposals were made, in the earlier stages by the

Hyderabad Co-operative Commercial Corporation and in recent times, by the Supply Department. It is common knowledge that the price policy is now jealously scrutinised by the Government of India, and no State is free to have a price structure of its own except that which is approved by that Government. With the taking over of monopoly, the Government realised that the Hyderabad Co-operative Commercial Corporation would not be justified in working like other commercial bodies and that the motive of 'no profit—no loss' must be reflected in the working of the Corporation. The balance-sheets of the Corporation during the several years for which accounts have been compiled and audited no doubt show that at no stage could the Hyderabad Co-operative Commercial Corporation rigidly keep up to the principle of 'no profit—no loss'. In spite of this principle profits resulted in the years 1943-47 due to policy of integrating the local issue prices with those in adjoining States. When subsequently the food position weakened and large imports became necessary, heavy subsidies on the part of the Government became unavoidable and these appeared in the accounts of the Corporation as loss to the Corporation, till such time as the subsidy amount which was partly due from the Government of India and partly from the Government of Hyderabad was adjusted. The maintenance of a large staff which became necessary in view of the existence of a separate organisation and the further fact that no part of the Hyderabad Co-operative Commercial Corporation staff was charged to general revenues and that even the salaries of the Levy Girdawars (Revenue Inspectors) were borne by the Hyderabad Co-operative Commercial Corporation also contributed to larger expenditure under administrative charges. With the exception of this item it would be difficult to suppose that there has been any unusual expenditure or avoidable items in the "incidentals" of the Hyderabad Co-operative Commercial Corporation. There has been considerable and almost

bitter criticism against the prices fixed for the procurement and issue of foodgrains and it has invariably been remarked that the Hyderabad Co-operative Commercial Corporation was either making heavy profits or was responsible for making the grain unusually costly to the consumer. This criticism has generally been followed by a comparison of Hyderabad Co-operative Commercial Corporation Prices with the prices obtaining in Bombay and the point made out that while the incidentals added by Bombay Government are about 7% of the procurement price, in Hyderabad they are as high as 20-25%. The incidentals incurred in the collection and handling of foodgrains are, in the case of Bombay, charged to a considerable extent to the general revenues of the State. A part of the expenses on local grains appears to have been compensated by increased rate of incidentals on imported grains so that the loss in the latter case was to a large extent made up by the Central Government. With the details that have been available as a result of careful study of the prices in other States, it can be said that the Hyderabad price structure does not really compare so unfavourably with them. The procurement and issue prices of the more important foodgrains in Hyderabad even as late as in 1948-49 were as follows :—

O. S. Rupees per palla  
Procurement Issue prices

1. White Jowar	30	30
2. Berari „	25/8	30
3. Yellow „	22/8	26/4
4. Bajra	25	28
5. Paddy coarse	25/12	
6. Medium fine (paddy)	29/4	...
7. Rice coarse	38	38
8. Medium fine (rice)	44	58
9. Wheat I	54/4	58
10. Wheat II	52/8	58

The difference between the procurement and issue prices was kept low and much of the administrative and handling charges was being borne by the Government of Hyderabad. It was only in the year 1949-50 (after the Police Action) that the Government whose finances had been rudely disturbed, felt unable to subsidise local grains on such a lavish scale and with the concurrence of the Government of India raised the issue prices substantially while keeping the procurement prices at the same level as in the previous year. The prices from that year onwards have been as follows :—

	Rs. a. p.
1. (Procurement price subsequently raised to Rs. 31 per palla) White Jowar	38 0 0
2. Berari Jowar	34 14 8
3. Yellow Jowar	28 0 0
4. Bajra	28 0 0
5. Rice coarse	46 0 0
6. Rice medium fine	58 0 0
7. Wheat I. (Procurement prices revised to Rs. 52-8-0 per palla) (Procurement price)	58 0 0
8. Wheat II. (Revised to Rs. 50-5-0)	58 0 0

According to this structure and assuming the total incidentals on foodgrains as O.S. Rs. 7 per palla, as accepted by the Government of India from 1st January 1950 onwards (prior to that it was Rs. 8-12-7 per palla) the Government loses from Re. 1-8-0 to Rs. 4 per palla on four items (including maize and minor millets) and gains Rs. 2-6-8 on one item (viz. Berari Jowar). In the case of rice the profit or loss has to be worked out by taking into account the procurement of  $1\frac{1}{2}$  pallas paddy for yielding each palla of rice and the incidentals in this quantity as also the milling charges etc. With these factors there is a loss of Rs. 1-6-c per palla in the case of coarse rice and a profit of Rs. 5-6-c per palla on medium fine rice. With regard to wheat there

is a loss of Re. 1-8-0 on the first variety and a gain of Re. 0-11-0 on the second variety. But examining the actual figures of procurement etc., there is perhaps a net resultant profit of about a lakh of rupees on the sale of locally procured grains. Based on the present scale of procurement, of about 16 lakh pallas, this works out to about one anna per palla, as against a loss of about Rs. 4 to 5 per palla on the sale of imported grains, assuming the State subsidy as about 40 to 60 lakhs and import as about one lakh tons (this loss will be considerably higher if the proportion of rice imported is greater than at present). It has been necessary to state this point at some length in view of the criticism and misunderstanding not only among the common people but also among the enlightened citizens of Hyderabad.

37. Another sphere in which the Government (Supply Department) exercises control over the Hyderabad Co-operative Commercial Corporation is with regard to the transport of foodgrains from the surplus to the deficit areas. The transport programme is carefully scrutinised by the Supply Department with due regard to the stocks available in the surplus districts and the quantities that could be moved from these districts to the deficit and rationed areas. The Corporation appears in this as a mere transporting agency. But unfortunately the Collectors have frequently refused to allow grains to be moved from their districts in spite of the planning done and orders issued by the Supply Department for which the Hyderabad Co-operative Commercial Corporation is undeservedly blamed. The officers of the Corporation have had to report only their failure in getting the grains according to approved plans. The extent to which this anomalous position would be remedied by a re-orientation of the organisation is considered elsewhere in this report.

38. In the sphere of the management of the go-

downs also, the Supply Department has ordered the association of non-officials in the inspection of godowns. With such a rigid and detailed control by the Government, it is difficult to consider the Hyderabad Co-operative Commercial Corporation as different from a Government department.

### **Finance of the H.C.C.C.**

39. As already stated above, the authorised capital of the Hyderabad Co-operative Commercial Corporation was Rs. 10 lakhs and the subscribed capital Rs. 1 lakh. This Rs. 1 lakh was fully subscribed by the Government and no shares were open to the public. With the conversion of the Hyderabad Commercial Corporation into Hyderabad Co-operative Commercial Corporation, the issued capital was raised from Rs. 1,00,000 to Rs. 2,00,000 but only Rs. 1,01,000 was subscribed, all by Taluka Co-operative Unions. The Government withdrew the amount subscribed by it. The Government further expressly provided that their overall control would continue just the same and that nothing which would be contrary to Government interests or policy would be permissible in the activities of the Corporation. This was not unreasonable as the entire investment required for the handling of foodgrains was advanced by the Government. The amounts sanctioned and these actually drawn for the purchase of foodgrains and for meeting the expenses from time to time given in Appendix 'A', show that the maximum loan overdrawn, amounting to about Rs. 10.22 crores, was drawn during the year 1948. The outstanding loan at the end of 31st July 1950 (for which accounts have been prepared) was Rs. 7.924 crores. From the period 25th February 1943 to 30th June 1948 the total amount spent on purchases was Rs. 46.89 crores while the amount realised by the sales was Rs. 46.49 crores so that the total turn-over in the purchase and sales operations amounts to about Rs. 93.39 crores during this period. The profits that were made during the years February 1943 to June 1947 were

more than off-set by the losses that accrued in the succeeding years as will be seen from the following figures :—

From	to				Rs.
25- 2-43	4-4-44	...	+	„	4,09,947
5- 4-44	4-4-45	...	+	„	19,48,014
5- 4-45	4-4-46	...	+	„	35,65,204
5- 4-46	30-9-46	...	+	„	48,41,963
1-10-46	30-6-47	...	+	„	28,33,579
1- 7-47	30-6-48	...	—	„	125,74,799
1- 7-48	30-6-48	...	—	„	83,50,778
( + ) Profits			( — )	Losses	

It would be incorrect to suppose that the losses are due to any serious mishandling on the part of the Corporation. It was an inevitable corollary to importing large overseas quotas at high prices and their sale in Hyderabad at the same low prices as had been fixed for local grains. The loss was about Rs. 43 to 49 per palla in the case of rice, Rs. 17 to 21 in the case of milo and about Rs. 2 to 6 in the case of wheat. In accordance with the stipulation of the Government, the Hyderabad Co-operative Commercial Corporation was crediting all its sale proceeds to the credit of the loan amount in the Hyderabad State Bank and in the district treasuries. The Government charged an interest of 3% on the amounts advanced to the Corporation for the purchase of grains, but it does appear that due regard has been paid to give the Corporation credit to the full extent of what the grain (which was sold out) actually cost the Corporation, although the amount realised and remitted into the treasury was considerably lower than the actual cost. To amplify this point, it will have to be realised that when the economic prices of the local grain or the landed cost of the imported grain is considerably higher than the issue price fixed for it, it is obvious that in a commercial enterprise sales would take place at a rate not less than the cost price. The selling of the grain at a lower price than the cost price is due entirely to the fact that Government wished to subsidise the grains and



make them available to the consumer at a cheap price. The Corporation has had no option. Equity therefore demands that with the sale of every palla of grain, it is not only the cost realised on the basis of the issue price, but the loss arising as a result of the low issue price that should be regarded as having been paid back by the Corporation, and credit should have been given for the full amount as soon as the sale profits were remitted into the treasury or the Bank towards the loan amount. This has not been done. Firstly, the payment of subsidy by the Government of Hyderabad was done at long intervals and no adjustment was provided for the interest charged to the Corporation on this amount during this period. Secondly, that portion of the subsidy which was due from the Government of Hyderabad and had not been recovered for various reasons for quite an appreciable time, was also taken as outstanding against Hyderabad Co-operative Commercial Corporation and interest continued to be charged thereon. Obviously, this was not fair. The question of subsidy has nothing to do with the Corporation, and much less the subsidy recoverable from the Government of India ; that is purely a matter between the State Government and the Central Government and for any delay in recoveries of that amount the Corporation cannot be penalised. Not only would it not be reasonable that any interest should be charged to a Government organisation handling foodgrains but that outstandings of the nature indicated above to have been made a burden of the Corporation is unjustified. The Corporation should, perhaps, get back on this basis reimbursement of all the amounts that have been charged on outstanding subsidy amounts during all this period.

40. Another point of interest is the payment of Customs duty on the foodgrains imported by the Hyderabad Co-operative Commercial Corporation under allotments made by the Government of India. Taxation of foodgrains is not intelligible to the common man in view of

the Government's object of keeping the consumer's prices in regard to foodgrains low. The Customs Department is paid by the Corporation and these payments are taken into account to calculate the landed cost of the imported grain. The loss incurred in underselling the the grain is, in the first instance, treated as a loss to the Corporation and later re-imbursed by the Government in the form of subsidies. As the amount collected under Customs is actually revenue of the Government, the effect of this arrangement is only an inflation of the subsidy amount in the case of such grains as are subsidised. But when the grains are issued to collieries, private parties, defence services, etc., the full landed cost including customs is being charged to them. It is only with effect from 1st April 1951 that the Government has waived the collection of customs on the import of a number of articles including many of the foodgrains.

41. The exercise of financial control on the activities of the Hyderabad Co-operative Commercial Corporation has been satisfactorily secured. The Finance Department maintains a large parallel staff both at headquarters and in the districts to ensure effective check in matters of payment, collections and expenditure. This staff is under the Administrative control of the Financial Adviser, Supply Finance, and generally look to him or the Chief Accounts Officer at headquarters for all financial sanction. It was claimed that as a result of this control, the food accounts in Hyderabad have become clearer and more up-to-date.

42. It is noticeable in the set up of the Hyderabad Co-operative Commercial Corporation that the maintenance of some staff working in the Revenue, Supply and Finance Departments is also being charged to the Hyderabad Co-operative Commercial Corporation on the plea that work connected with the Corporation was being done by this staff. As instances in point, the salaries and travelling allowances of all Levy Girdawars (Revenue Ins-

pectors), 656 of them, are being borne by the Corporation though they form part of the staff for procurement which is directly handled by the Government. Likewise an Assistant Financial Adviser and a small staff working under him are also charged to the Hyderabad Co-operative Commercial Corporation. Even the expenditure connected with this Committee is debited to the Corporation, though the Committee's enquiry covered not only the Hyderabad Co-operative Commercial Corporation but all aspects of food administration in which the Government, and not the Corporation, was interested. Other expenses such as stationery charges for procurement, and allowances to procurement staff, which should strictly be debited to the Government are actually debited to the Corporation. The helplessness of the Corporation to resist is perhaps the only explanation for this state of affairs.

43. The internal audit of the Hyderabad Co-operative Commercial Corporation accounts is entrusted to a Chief Inspecting Officer who has a large staff to tour the whole of the State and conduct detailed scrutiny of all the grain accounts in the various godowns. The pre-audit of the financial accounts is done by the Disbursing Officers and the post-audit by the Chief Accounts Officers. In addition to this, a company of Registered Accountants and Auditors also scrutinises the accounts of the Corporation in much the same way as for a Joint Stock Company. The details laid down in the Accounts Manual for the maintenance of Accounts, for example, issue of challans for the receipt of grains, their verification and submission to the cash units, the accounting of payments so made, the reimbursement from the District Treasuries and a general scrutiny of accounts by the Disbursing Officers and the eventual post-audit by the Chief Accounts Officer, contain the necessary instructions.

### **Duties and their discharge**

44. The main duties of the Hyderabad Co-operative

Commercial Corporation fall under the broad heads :—

1. Procurement.
2. Storage.
3. Transport.
4. Distribution.

### Procurement

45. The procurement work of the Hyderabad Co-operative Commercial Corporation was confined to open market purchases, but later the assistance of its officers was utilised by the Revenue officers in the collection of levy.

More than once proposals had been made to subordinate the District Corporation Officers and the Taluqa Corporation Officers completely to the Collectors and to the Tahsildars but they did not materialise for various reasons. After the Police Action and with the coming of the "Civil Team", the Collector was no longer merely an officer of the Revenue Department like the old Taluqdar, but a full representative of the Government exercising powers over almost all the Departments in the district. Evidently, he could not reconcile himself with the "interference" of the Hyderabad Co-operative Commercial Corporation in regard to the foodgrains procured when procurement continued to be his responsibility. After protracted discussion on this subject it was agreed that the Corporation staff in the districts would work under the control of the Revenue Officers. In spite of this arrangement the distance that separated the Hyderabad Co-operative Commercial Corporation and the Revenue Officers does not appear to have diminished appreciably. The Collectors are, however, said to be employing the district staff of the Corporation to help levy collections and procurement work in general during the procurement season. On the side of payments, the arrangement made by the Hyderabad Co-operative Commercial Corporation in having Cash Units and Mobile Units facilitates the work of payment. There is, however,

considerable risk in entrusting large sums of public money to one or two low paid clerks, who form the mobile unit, to be disbursed far away from taluk headquarters, risk not only of malpractice by these employees but also of theft and robbery. Not even escorts are provided to these units, and specific requests for escorts in some cases were not complied with by Collectors. There were instances of corrupt practices by some local units which, however, were immediately looked into and action was taken by the posting of senior officials for conducting enquiries. Now, even producers generally realise the existence of proper arrangements in this direction.

46. The failure of crops over successive years has had its natural repercussions. The cereal production has fallen from 20,92,000 tons in 1944/45 to 13,62,000 tons in 1949/50 (i. e., nearly by 35%) and the procurement has correspondingly declined from 3,73,639 tons in 1944/45 to 1,75,860 tons in 1949/50. Naturally, with this position heavier imports were obtained and the quantities imported increased from 13,525 tons in 1944/45 to 54,161 tons in 1949/50. A portion of the purchase staff was switched over to the work of attending to the import quotas, but the idea of bringing about a reasonable retrenchment does not seem to have occurred to the Hyderabad Co-operative Commercial Corporation administration at the right time. Till as recently as June 1950, the Chief Purchase Officer and his two assistants in the head office and other staff were still maintained almost on sundry jobs such as the purchase of office stores etc. The Government have since abolished the post of the Chief Purchase Officer.

47. Lately, the Hyderabad Co-operative Commercial Corporation has, under the orders of the Supply Department, enforced the Fair Average Quality standards which are to be implemented by the Storekeepers and Grain Analysts under the general direction of Collectors. The absence of these standards has often been considered by the

the Revenue Officers as impeding their procurement efforts, while they urge the cultivators to deliver grains in large quantities, the godown staff rejects some of the grains or imposes deductions in prices for quality differences thus apparently counter-acting their efforts and slowing down the pace of collection. The observance of reasonable quality specifications and variations in rates for departures from these specifications is a normal trade practice and has to be continued even when the procuring agency is the Government. It is also in the interest of the cultivator himself and makes towards better marketing conditions to have a regular schedule showing the deductions that will be made for grains falling below the average quality. The Collectors of Warangal and Nalgonda have, however, been given the choice to enforce the specifications only at such places where they find it feasible to do so. This concession is said to have been given in view of the disturbed conditions in those districts.

48. Payments for the grains purchased, whether under Levy or in open market, are strictly according to the prices fixed by the Government. According to the terms of the Bombay Levy Scheme, receiving centres were to have been opened in a large number of places in such a way as to ensure that cultivators ordinarily did not have to carry their grains for more than 7 miles. Where it has not been possible to make arrangements, transport charges are being paid to the cultivators for the distance over 7 miles covered by them. In the affected areas the Hyderabad Co-operative Commercial Corporation has frequently taken its own transport to the interior villages and conveyed the grains to the godowns from the doors of the producers and has itself borne the cost of the transport in view of the disturbed conditions in those places. In the ultimate analysis, it would be easy to see that the duties of the Hyderabad Co-operative Commercial Corporation connected with procurement do not have anything distinct or difficult in

them to warrant a special agency, and could be done by Government without the intervention of the Corporation.

### Storage

49. A grim scarcity of good godowns was an initial difficulty with which the Corporation was confronted in its early years. It was not easy of solution and in spite of best efforts, storage conditions could not be improved, with the material that was available. Even by the exercise of the requisitioning powers, Government was unable to get a satisfactory number of private buildings for storing the grains. A sum of Rs. 3 lakhs was placed at the disposal of the Taluqdars for constructing godowns at various places, but even this attempt was not quite successful. The Taluqdar of Parbhani alone erected 7 good godowns to relieve the congestion to some extent but in other places the work was discontinued for want of building material which was already in short supply owing to the war. The Corporation undertook to construct two large godowns of its own at the two stations viz., Kachiguda and Hyderabad (Broad Gauge) with capacities of 1,00,000 bags and 60,000 bags respectively. Along with this, the Government decided to construct well-planned modern godowns throughout the State and rent them out to the Hyderabad Co-operative Commercial Corporation for storage of grains. With the formation of the Godown Trust, to which a reference has already been made, the construction of a net-work of godowns was soon afoot. 223 sheds and pucca godowns were built, the capacity being 15,51,000 bags. In addition to this the Corporation has hired 851 private buildings with a total capacity of 14,98,068 bags. The total monthly rent paid by the Hyderabad Co-operative Commercial Corporation for the various godowns is Rs. 56,353-5-2. The increase in the accommodation and the decline in procurement have combined to make the godown position fairly easy at the moment.

Godowns which hold more than 10,000 pallas are

treated by the Hyderabad Co-operative Commercial Corporation as 'A' class godowns; those with a capacity between 3,000 to 10,000 pallas are treated as 'B' class godowns and those less than 3,000 pallas as 'C' class godowns. The staff employed for the different classes of godowns is shown in Appendix 'B'. In A & B class godowns it should be possible to effect retrenchment in the number of employees. The establishment necessary in godowns is suggested elsewhere.

50. Storage arrangements have very much improved and the present condition is satisfactory, mainly due to the efforts of the Special Officer in charge of the work. The present disinfection measures, the arrangements for stacking bags and to regulate issues of grains to ensure that the older stocks are cleared earlier than the new ones are being satisfactorily worked in the City godowns. As a result of these measures and with the observance of proper godown hygiene the godown shortages and even shortages due to cleansing are expected to reduce considerably.

51. Physical Verification which had not been conducted for  $3\frac{1}{2}$  years in the beginning, and perhaps could not be conducted in view of the hectic stacking of grains made in 1946, revealed large differences between book balances and ground balances. The second verification conducted in February 1949 also helped in detecting such differences. A third verification which was undertaken during the last quarter of 1950 was completed by the end of December 1950; the correct book balances are still being worked out in certain districts whereafter final verification statements would become available. The percentage of shortages noticed during the first verification of stocks after an interval of 3 years and 4 months, the second verification done after an interval of  $2\frac{1}{2}$  years, and the third verification done after an interval of one year and 7 months (to the extent figures are available) are shown below. These figures show generally an improvement in the storage conditions.



### Percentage of shortage during the period

Serial No.	Name of Commodity	From 3/43 to end of 7/46 (1st Verifi- cation)	From 9/46 to end of 2/49 (2nd Verifi- cation)	From 3/49 to end of 9/50 (3rd Verifi- cation)
		3 years and 4 months	2 1/2 years	1 year and 7 months
1.	Paddy Mota	2.5	1.72	1.7
2.	Paddy Barik	1.10	1.17	1.7
3.	Rice Mota	25.5	0.50	0.5
4.	Rice Kichdi (Fine)	22.8	0.64	0.5
5.	Jawar White	3.1	2.10	0.5
6.	Jawar Yellow	5.7	2.99	2.8
7.	Wheat	1.09	1.43	0.6
8.	Bajra	4.3	2.16	1.7

52. The Committee during its inspection of godowns noticed the following defects :—

- a) The godowns are over-staffed, including the super-  
visory staff.
- b) The checking of accounts is not done effectively ;  
in one godown the absence of a very important  
account could not be explained by the godown  
staff or the supervising staff, who were present ; all  
of them maintained that there was no such account,  
though the account was later obtained from another  
godown and produced !
- c) The cleaning of grains is not done always before  
standardisation of bags. The reason as stated to  
the Committee in one of the godowns, is to reduce  
expenses. If even 1% dust or foreign matter is

present in the grains issued to the ration shopkeepers, it is open to them to add more and transfer the blame to the godowns. The Government of India have issued repeated orders for cleansing all grains issued from the godowns and this work should be done strictly, and expenses incurred for this purpose are necessary.

## **Transport**

53. The transport work of the Hyderabad Co-operative Commercial Corporation was done both by rail and road. The road transport was done by the use of lorries as far as possible and by employing carts where lorries could not ply or were not available. In certain cases, the transport was done by employing camels and mules also.

## **Railway**

54. Rail transport was mostly on the Nizam's State Railway and little difficulty was experienced in this in view of the special preference given to the Hyderabad Co-operative Commercial Corporation by the authorities of the Nizam's State Railway. The system of payment of freight by issue of Credit Notes was also extended to the Corporation in view of its extensive transactions and the difficulty in making cash payments at every station. Minor differences of opinion between the station authorities and the transport staff of the Hyderabad Co-operative Commercial Corporation booking consignments at Railway or at owner's risk and in the execution of risk notes did come to light but in view of a better understanding among the higher authorities of both the departments the differences were easily resolved. It was only in more recent years that the Nizam's State Railway, like other railways has tightened up its rules and turned down the Hyderabad Co-operative Commercial Corporation's claims for shortages occurring in transit. The attempts of the Corporation for having defective bags weighed or for taking delivery of consignment after weighment have

not succeeded. Slack bags are defined as bags cut and re-sewn or definitely torn or damaged, and not bags palpably short weighing but externally in a sound condition. The Hyderabad Co-operative Commercial Corporation has still only lost a few of the initial advantages, and this is in no way less favourable than what the Governments in other States are able to get.

## Lorries

55. In the matter of transport by lorries, the Hyderabad Co-operative Commercial Corporation has tapped all sources, namely, the lorries of Road Transport Department (of the Nizam's State Railway), private lorries and its own lorries. The terms of the Road Transport Department lorries which originally stipulated working for only 8 hours a day and a rate of seven annas per mile plus a charge of Rs. 28 per day per lorry (carrying about 36 bags) are now reduced to an over-all rate of one rupee per mile (36 bags), which works out to 6.85 pies per palla per mile.

56. The private lorries are working at different rates depending on the conditions obtaining in the routes which they have to cover. The rates have varied from 6.7 pies to 7 pies per bag per mile. In the case of Medak contractor the rates are lower, in view of the advantage of good roads, larger volume of work and easy supply of petrol. The lorries of the Hyderabad Co-operative Commercial Corporation have obviously no special terms, but bills are prepared on the terms of which the Road Transport Department lorries had been originally quoting. As explained elsewhere, there is considerable scope for a stricter control on, and better co-ordination of, the activities of the Road Transport Section of the Hyderabad Co-operative Commercial Corporation. The employment of private lorries is done by calling for tenders at the beginning of each year, inviting rates at which contractors would agree to work on specified routes indicated by the Hyderabad Co-operative Commercial Corporation.

Except in cases where parties are known to be chronic defaulters or otherwise not desirable, tenders are accepted on the basis of the lowest quotations. The maximum rates offered in the previous year was 6 pies per bag per mile for Medak, but in spite of increased cost of living and even increased cost of transport everywhere it is inexplicable how the latest quotations for the Hyderabad Co-operative Commercial Corporation transport have shown a distinct decrease (being  $5\frac{1}{2}$  pies per mile per bag for Medak). Considerable vigilance must be exercised to ensure that these competitive terms are not balanced by any unhealthy activities of the contractors. The latest instance in which a certain transport contractor misappropriated a lorry load of rice should serve as a warning that one cannot always put too much faith in these competitive rates.

57. Carting contracts are also similarly finalised on the basis of the lowest quotations obtained from the various 'hundekars.' In theory the necessary checks on the transport e.g. issue of proper transit slips for all grains moving from one to another of the Hyderabad Co-operative Commercial Corporation godowns or from godown to station etc., have been provided for. In the case of grains issued from the godowns to ration shopkeepers, they are covered by an authorisation called the 'Rahadari.' Properly enforced, these arrangements should be sufficient to prevent illicit movement of grains, although instances of the nature in which officials of the Corporation were hauled up by the Police for smuggling grains in private lorries indicate the need for stricter enforcement of the procedure laid down.

58. The work of transport as such has been done with sufficient despatch and it has generally been felt that the needs of many deficit areas had been supplied by the Hyderabad Co-operative Commercial Corporation at commendable speed.

### **Distribution**

59. The work of distribution in the recognised sense

of the term falls on the Department of Rationing in rationed areas and on the Collectors etc., in the non-rationed areas. The role of the Hyderabad Co-operative Corporation in this is only to keep the grains duly cleaned and in standard bags to be issued to authorised retail shopkeepers on the basis of the permits of the rationing authorities.

### **Cost on account of H.C.C.C.**

60. The expenditure, which the Hyderabad Co-operative Commercial Corporation incurs in handling and issue of local grains and imported grains, was said to be I.G. Rs. 2-11-9 and Rs. 4-7-5 per maund. These, it was said, were mostly based on the actual expenditure booked in the accounts of the Corporation from time to time. When the Government of India pressed for suitable revision on the grounds that these figures were on the high side, the incidentals on imported grains were brought down to I.G. Rs. 4-3-0 per maund by minor reduction in items such as shortage in transit, storage and cleaning and cost of gunnies. Likewise, the figure of incidentals on local grains was reduced to I.G. 2-10-8 per maund. For a long time these figures formed the subject of correspondence between the Central Government and the State Government, till atlast as a compromise, the State Government agreed to fix the incidentals at I.G. Rs. 2-8-9 per maund for imported grains, and Rs. 2-8-2 for local grains. Items such as customs duty and interest charges were ruled out by the Government of India as untenable. The inclusion of customs duty was, however, permitted in determining the cost of imported grains to be charged when these grains were issued to private concerns, factories, collieries, etc.

61. When the Foodgrains Investigation Committee of the Government of India visited Hyderabad in 1950, and further discussed the incidentals, the figures were brought down to I. G. 2-0-0 per maund both for local and imported grains. It is on this figure that the present calculations are

being based. The point, however, remains as to how far this represents the actual expenditure that is being incurred by the Hyderabad Co-operative Commercial Corporation.

62. One factor, however, deserving our attention, is that these incidentals do not actually enter or influence the prices that have been fixed for the issue of grains to the consumer. In a number of cases, both local and imported grains are issued at subsidised prices so that the difference between the two prices, the purchase price and the issue price, is more empirical than related to the expenditure that is being incurred. Even with this position, the complaint that the existence of the Hyderabad Co-operative Commercial Corporation has made grains costly to the consumer is pronounced. The Hyderabad Co-operative Commercial Corporation's charges do not actually determine the fixation of prices although for purposes of justification of the charges, the incidentals agreed to by the Government of India are being quoted by the State Government.

### **Criticism and recommendations—duplication of work**

63. Considered as a whole, the Hyderabad Co-operative Commercial Corporation is a chapter of redundance and avoidable expenditure in food administration of Hyderabad. It is difficult to see anything indispensable about it. As has become fairly clear in the facts considered above almost all the functions of the Hyderabad Co-operative Commercial Corporation are being administered in varying degrees by Government offices also. For instance, the work of procurement is entirely the burden of the Revenue Officers. The large staff both at the head office and in the districts and the levy Girdawars should, in all fairness, be separated from the Hyderabad Co-operative Commercial Corporation and made a part of the Government staff to work under the complete control and supervision of the Collectors, as they actually do now. The staff required for attending to imports of the overseas quotas is relatively

small and should not matter seriously. On the side of payments for purchases made, barring the fact that a cash clerk chargeable to the Hyderabad Co-operative Commercial Corporation is on the spot, the re-imbursement of funds and scrutiny of the challans is even now being done in the district treasuries and it would not be difficult to provide other arrangements after disbanding the cash units.

64. In respect of storage, the staff employed is admittedly heavy. The number of hands maintained for the 'A' and 'B' class godowns is particularly capable of considerable reduction. It would further be in the interest of the organisation to have fewer hands better paid rather than a large number of financially disgruntled staff. Better remuneration will bring in greater devotion on the part of the employees leading to greater efficiency and better attention to the grains. Instances of misappropriation of grains, mishandling of funds and unsatisfactory maintenance of registers, etc., proceed from the fact that the recruitment is made from those with the barest qualifications. This is inevitable as better qualified men would not be forthcoming unless a proper remuneration is available to them. The water-tight division of work apportioning some of it to a stores clerk and another to a clerk or balance writer and the rest to a storekeeper is not conducive to efficient working. The tendency will be for each of them to consider a portion of the work as the responsibility of the other. Even for purposes of acquiring proper godowns the authority and the influence of the Collectors will produce better results than the attempts of the Hyderabad Co-operative Commercial Corporation Officers.

### Transport

65. In the matter of transport alone could it be said that the efforts of the Hyderabad Co-operative Commercial Corporation, as distinct from the normal transport arrangements, are noticeable. The speed with which grains were

transported over long and difficult routes at short notice has been commendable. The shortcomings were, however there. The disappearance of foodgrains while in transit, the issue of forged challans and transit slips to facilitate smuggling of grains from the godowns sometimes with the connivance of the transport Sub-Inspectors and Inspectors suggest defective recruitment and inadequate control and supervision. The maintenance of the road transport section has not been quite economical and want of co-ordination between the godowns staff or the District Corporation Officers and the transport sections has often resulted in lorries remaining idle for long hours or not receiving load in preference to private contractors or Road Transport Department lorries. An interesting comparison between the working and management of the road transport section of the Hyderabad Co-operative Commercial Corporation and a similar unit maintained by the Madras Government for their transport work is available in a note of the Chief Inspecting Officer (Mr. Dos Raj) who had been deputed to Bombay and Madras to study the working of the Food Departments in those places. The average monthly cost of establishment per vehicle in Hyderabad was Rs. 180 and in Madras it was Rs. 113 only.

66. The use of staff cars of the Hyderabad Co-operative Commercial Corporation has provoked considerable public criticism. Often, and perhaps rightly, the public feel that the staff cars are being put to private use and are also being pressed into work even for trivial matters. Every official who has to visit the Secretariat or the Finance Department, requisitions the services of a staff car. The bills prepared by the road transport section for the work done by them only swell the files and are of no consequence because it is never intended to collect any charges from the staff who utilise the vehicles in the name of departmental work. It is possible to reduce the size of the present fleet to serve only as a stand-by.



## Superfluity of staff

67. The administration of the Hyderabad Co-operative Commercial Corporation, and particularly the overwhelming staff maintained by it, have been matters of frequent complaint. As we examine the almost interminable statements showing the staff employed in various sections and departments it is difficult to resist the criticism. Other considerations apart, an equitable distribution of work is particularly lacking. The work is generally concentrated on a few clerks or officers who are capable of understanding and executing the work and the others more or less have an easy time ; it is the second class of persons who generally figure prominently in the eyes of the visitors and justify the criticism of the public. There is scope for considerable pruning of the staff. Duplication of work, for instance, between sections is common. Statistics of off-take of foodgrains, for example, are maintained sometimes by the Disposal Officer and sometimes by the godown by the godown section. A third set of figures can be had from the Chief Accounts Officer ! The different departments of the Hyderabad Co-operative Commercial Corporation correspond with each other by official letters, as though they are independent departments and not mere sections of the same office, viz., the Managing Director's. This causes unnecessary work and delay. Apart from the copying and despatch work in the office of origin, the letters are dealt with by clerks in the receiving office in the usual course and it takes considerable time before the officer for whom the letters are intended sees them. This correspondence should have been by direct office notes from one Departmental head to another. The sum total of all this has been avoidable delay, unnecessary work, and confusion.

68. The interposition of the Hyderabad Co-operative Commercial Corporation between the Supply Department and the collectors is another anomalous feature. Orders

relating to the introduction of a policy or the announcement of prices issue from the Supply Department to the Collectors. Identical orders are again issued by the Hyderabad Co-operative Commercial Corporation to all the District Corporation Officers for note and compliance. Apart from this unnecessary waste of time and labour, the issue of further orders by the Hyderabad Co-operative Commercial Corporation, when the District Corporation Officer has been put under the complete administrative control of the Collector, is totally unnecessary. The procedure for the issue of grains by the Supply Department issuing instructions to the Corporation and the Corporation passing them on to the District Corporation Officers is circuitous. Again in matters of payments the Disbursing Officer owes allegiance only to the Chief Accounts Officer and the Financial Advisor. However unforeseen and emergent an item of payment may be, the Collector cannot meet it immediately. The usual course of a reference made by the Disbursing Officer to the Chief Accounts Officer and sometimes by the Chief Accounts Officer in turn to the Financial Adviser and the receipt of reply through the same channel, involves delay.

### **Government control**

69. Considering the governmental control exercised at various stages and in minute detail the Hyderabad Co-operative Commercial Corporation has suffered from all the red tapism and handicaps of Government departments. It has also been at the same time the target of all the censure and ill-feeling resulting from a commercial organisation (as the public view it) interposing between the trade and the Government and finally it has earned the dislikes and bitterness of Collectors who look upon it as a separate organisation which they are bound to help without the powers to guide or advise and as an impediment to their work. Thus viewed, the Hyderabad Co-operative Commercial Corporation is a fifth wheel to the coach. It is

admittedly not a co-operative organisation as it fulfils none of the requirements necessary for the purpose. The employees have a just reason to complain that they are subjected to all the rigours of governmental rules and discipline without enjoying any of the benefits accruing from Government service. Their salaries and Travelling Allowances are curtailed from time to time to fit in with the orders issued by the General Administration Department to Government departments, but considerations for a pension or for permanency or security of service are nowhere on the horizon. The advantages to Government in not accepting the burden of this huge staff associated with the administration of food is, firstly, not fair and secondly may not be actually resulting in any advantage as the staff may resort to undesirable measures to compensate themselves for these disadvantages.

One advantage to the Government in having the Hyderabad Co-operative Commercial Corporation is that the Government has been able to divert a large volume of criticism which was strictly due to it, towards the Hyderabad Co-operative Commercial Corporation. This has, therefore, served the Government as a smoke screen.

## Conclusions

70. The loss which the Hyderabad Co-operative Commercial Corporation is sustaining since 1947-48 is attributable mainly to the difference between the cost price and the selling price of the foodgrains handled by it. This is a direct result of the price policy of the Government. There would, therefore, be nothing unreasonable for the Government to take over the entire loss accruing to the Hyderabad Co-operative Commercial Corporation. This done, the replacement of the Hyderabad Co-operative Commercial Corporation by a unified administration is clearly indicated. The Hyderabad Co-operative Commercial Corporation, at present in practice, is neither a commercial

body, nor a co-operative institution, nor a corporation, nor a Joint Stock Company, whatever the ideas had been when it was started, but it is a full-blown supply Department of the Government completely under their orders. The sooner the fiction is given up and actual facts recognised, the better.

71. The Committee has considered the question whether the Hyderabad Co-operative Commercial Corporation can be retained with suitable improvements, but is definitely of the view that it is not possible. The defects pointed out above are too numerous and serious also. The easiest and the most appropriate thing to do is to liquidate it, replace it by a Government Supply Department as in other States and for the Government to take over its assets and liabilities for which the Government themselves, and their control, are entirely responsible. The actual organisation required in its place is recommended in another chapter.

72. In brief, the reasons for the Committee's recommendation to replace the Hyderabad Co-operative Commercial Corporation by a Government department are :

(a) Work connected with food administration in the districts cannot be done without the help of the Revenue Department and, therefore, there is no object in duplicating the machinery by having a separate organisation to work in the districts with the help of the Revenue Department. In other States, this work is done by Collectors of districts ; only they have got the necessary influence and authority to do it effectively. This change, so far as the district is concerned, will not involve extra expenditure and the present staff of the Hyderabad Co-operative Commercial Corporation working in the district could be utilised for this purpose.

(b) At present responsibility in the district is divided, and neither the Hyderabad Co-operative Commercial Corporation nor the Collector assumes complete responsibility

for the necessary operations in the district, and as such satisfactory results in the food administration of the district have not been attained.

(c) This arrangement will make the huge organisation of the Hyderabad Co-operative Commercial Corporation at headquarters unnecessary and result in an appreciable saving of public money, because necessary directions to Collectors could be given by the Commissioner of Civil Supplies assisted by a much smaller staff. In any case, to co-ordinate the work of Collectors, a Commissioner of Civil Supplies is essential, which authority is now lacking; the storage and transport work now done by the Hyderabad Co-operative Commercial Corporation can be done equally effectively, if not more, by a small staff under the direction of the Commissioner of Civil Supplies and the Collectors in the districts.

(d) Whatever the object might have been originally in setting up the Corporation, it is treated now as, and is in fact, a Government Department completely under the control of the Supply and Finance Departments of the Government and merely to carry out the Government's instructions. The need, therefore, for a Government Department to do what the Corporation is doing now is evident and it is simpler to acknowledge this and replace the Corporation by a Government department, which will unify the three separate agencies now employed, namely, the Hyderabad Co-operative Commercial Corporation, Rationing Department and the Collectors.

(e) There have been numerous complaints against Hyderabad Co-operative Commercial Corporation regarding inefficiency, unnecessary expenditure, and dishonesty on the part of its officials in the past; and the continuance of the Corporation in any form, even with improvements, will only perpetuate the complaints.

## CHAPTER IV

# *Procurement*

### History

73. The history of Government procurement of food-grains in Hyderabad dates back to 1943. With the control of prices of foodgrains introduced in that year to check the prices which were rising as a result of the War, stocks ceased to appear freely in the market. The Government, in order to build up stocks, therefore, decided on compulsory procurement from the producer by means of a food-grains Collective Levy Order dated 28th October 1943. Under that order a Committee was appointed for each village consisting of the village officers and not more than five non-official residents of the village to be selected by the village officers and approved by the Tahsildar. Every cultivator of foodgrains—paddy, rice, wheat, bajra, jowar, ragi and all other millets—was required to surrender to the village committee a levy on the following scale at a price fixed by the Government :

- |     |                           |  |
|-----|---------------------------|--|
| (a) | Maratwada and<br>Karnatic | } Paddy—2 maunds per acre of<br>cultivation. Other<br>grains (including rice<br>at 1 maund). |
| (b) | Telingana                 |  |
|     |                           | Paddy—2 maunds per acre.   |
|     |                           | Rice —1 maund per acre.  |
|     |                           | Other grains—1½ maunds per acre.   |

Failure of a cultivator to surrender the levy was liable to be visited with the recovery, as arrears of land revenue, of a sum equal to 3 to 10 times the value of the levy grain. An appeal lay from an order of the Tahsildar to the Talukdar. The village committee was to send the grains so

collected, to a godown assigned to the village and obtain a receipt from the Storekeeper. On the strength of this receipt presented to the Tahsildar, payment was ordered after the necessary audit, and the village committee was responsible for payment of the money to the cultivators according to the quantities they had surrendered. The scale of levy was since revised and raised, twice in 1944, once in 1945 and in 1946.

Up to 1945, about  $2\frac{1}{2}$  lakh tons of foodgrains were procured on the average per year. But it was found difficult to dispose of some of the grains collected. In 1945, therefore, the Government decided not to collect peeli jowar, maize, ragi and minor millets. Very soon, however, conditions changed. There was scarcity in the adjoining States and they required help. Also, crops in Hyderabad failed in 1946. Therefore, peeli jowar and minor millets were again brought under the levy order. Hyderabad had also to ask for further help from the Government of India. The levy order was again revised later, and in 1947-48 paddy, wheat, jowar (including peeli), ragi (in two districts, Medak and Mahbubnagar) and Kangni (Raichur district) were under levy, the rates of levy being :

**Paddy:**      One acre and less — 4 maunds per acre.  
                  More than one acre — 5    „    „    „

**Wheat :**      10 acres and less      — 1    „    „    „  
                  More than 10 acres — 2    „    „    „

**White Jowar :**

(including

Berari & Mahori)

10 acres and less      —  $1\frac{1}{2}$     „    „    „  
                  More than 10 acres — 3    „    „    „

**Peeli Jowar:** (Marathwada & Karnatak)

10 acres and less      — 1    „    „    „  
                  More than 10 acres — 2    „    „    „

(Telingana)

10 acres and less — 20 seers per acre  
 More than 10 acres — 1 maund „ „

**Bajra:** (Marathwada & Karnatak)

10 acres and less — 30 seers „ „  
 More than 10 acres — 1 maund „ „

(Telingana)

10 acres and less — 20 seers „ „  
 More than 10 acres — 30 „ „ „

**Kangani  
& Ragi**

10 acres and less — 20 „ „ „  
 More than 10 acres — 30 „ „ „

(For holdings of less than 20 acres under dry crops, first two acres cultivated with foodgrains were exempted from the levy).

The total collections under the order in 1947-48 were fairly good being over 30 lakh pallas—paddy being over 15 lakhs, and jowar about 13½ lakhs. In order to help the cultivators, the procurement prices were increased with a corresponding increase in the issue prices (consumer's prices). A special staff was sanctioned to collect the levy, viz., 528 Revenue Inspectors (Girdawars) at the rate of one for about 50 villages, 214 clerks (one for each Tahsil) and 528 Peons, the total cost being about 8 lakhs rupees. Also, village officers were paid a commission, at 8 annas per palla for collection of the quantity levied, and at rupee 1 per palla for dry grains and rupees two for paddy, in respect of any purchases made by them in addition to the levy. It was, however, found by experience that no appreciable stocks could be collected except under compulsory levy; of the quantities purchased, 90% represented levy and only 10% open market purchases, i. e., quantities over the levy.

### **Bombay Levy System**

74. The above was the system in force till 1949 when the Bombay Levy System was introduced in the State.



The Committee could not lay its hand on any definite order of Government recording the reasons for this change, but from office notes and proceedings of discussions of the Central Food Advisory Council, it would appear that the quantities procured under the then existing levy system was inadequate to meet the requirements of the Government for distribution and there were some proposals for increasing the rates of levy. It was thought necessary especially in view of the policy announced by the Government of India to stop all foreign imports after 1951, to obtain by compulsory Government procurement all the quantity required to feed not only the urban areas, but also all non-producers and inadequate producers in the rural areas, and for this purpose to introduce a rational and more intensive system of procurement like the Bombay System. It was expected that by such a system 4 lakh tons of grains could be procured, 2 lakhs for feeding urban areas and 2 lakhs for rural areas. At the same time it was felt that the previous levy system on the basis of acreage, which meant more or less common rates of assessment on all classes of holdings, was unfair to the small holders on whom the incidence of the levy mainly fell. That system also led to improper assessment of the levy by village Patwaris and the persecution of the small cultivators, and did not take into account the seasonal conditions and the estimated yield of the land in each year, nor make any allowances for the cultivators' own requirements. The Bombay System seems to have been chosen to replace the old system as it was claimed for the Bombay System that the levy would be according to the quality of the land and the actual yield, and in fixed proportions for Kharif and Rabi, and would allow for the needs of the grower while securing fair quantities for rationing.

75. The Bombay Levy System, as introduced in Hyderabad in 1949 is briefly as follows. The quantity demanded as levy is related to the produce of a cultivator's holding,

estimated with reference to the area of the holding under foodgrains, the quality of the soil and the seasonal factor of the year.

*The area of the holding* is calculated differently for different regions viz., mainly paddy area, dry areas predominantly Kharif, and dry areas predominantly Rabi. For paddy areas, the whole area of a holding under paddy *plus* one half of the area of the holding which is cultivated with dry crops *minus* the area under cotton and groundnut, is taken as the area of the holding for purposes of fixing levy. For dry areas predominantly Kharif, two-thirds of the cultivable area of the holding *minus* the area under cotton and groundnut is adopted. For dry areas predominantly Rabi three-fourths of the cultivable area of the holdings *minus* the area under cotton and groundnut is adopted. Any irrigated part of the holding under dry crop is multiplied by a figure not exceeding four and that result is added to the non-irrigated area, for calculating the area of the holding.

*The quality of the soil* is determined approximately by the ratio of average (dry crop) assessment of the area to its maximum rate of assessment, the maximum rate representing 16 anna soil.

*For seasonal conditions*, the conditions of crops in about the middle of September are adopted.

The yield of the holding is calculated with reference to 'basic yields' which are fixed on the current crop conditions and for homogeneous tracts of compact villages (which mostly are a taluk) growing the particular crops. From the yield of each holding so calculated, the cultivators' own requirements (food, seed and wages in kind) are deducted to the extent of  $27\frac{1}{2}$  maunds for each family representing 5 adults, necessary adjustments being made when the family is less or more than five. The levy demand is on a graduated scale, rising according to the quantity of total yield (size of holding). As the balance left with the cultivator would increase with the increase in the size of the holdings, a

surcharge of 5% of the levy demand is added to demands of 20 maunds and more and a surcharge of 10% to demands of 40 maunds and more. No levy is made on the second crop on double crop lands, nor on landlords receiving rent in kind. The village Patwari maintains a levy register entering in it the particulars for calculating the levy in respect of each cultivator, calculates the levy demand, serves the levy order on the cultivator and sends a list of demands relating to the village to the Tahsildar. The cultivator is required to deliver the quantity of the grain specified in the levy order to a Government godown or Government receiving centre where payment for the grain is made. There is to be a godown or a receiving centre within 7 miles of every village. If the receiving centre or godown is beyond 7 miles, the cultivator is to be paid transport charges of 1 anna per palla per mile. According to this order there should be about 20 to 50 centres in each district, but very few centres were actually opened—219 in 1949, and 88 in 1950 for the whole State, in order to save expenditure on incidentals.

### **Monopoly purchase and movement bans**

76. Along with this levy order the Government issued a Foodgrains (Regulation of Movement and Sale) Order, prohibiting the sale of any controlled foodgrain except to the Government and except in small quantities ( $1\frac{1}{4}$  seers by weight and 2 seers by measure) at a time to *bona fide* consumers in the same village, and also prohibiting movement of grains out of a village except on permit. This meant 'Monopoly purchase' by the Government.

### **Failure of the Bombay System. Reasons— Unsuitability for Hyderabad conditions**

77. The Bombay Levy System has been in force for two procurement years. The Committee has no hesitation in saying that the system has completely failed in Hyderabad should be discontinued forthwith and replaced by a

simpler and practicable system which will work in the conditions of the State. The Bombay System involves numerous and complicated calculations regarding acreage of holdings and yield in arriving at individual levy demands, which the village staff in Hyderabad are not competent to cope with. The basic factor of the system is accurate record of individual holdings and cultivations. This is not available in large tracts of the State, Jagirdari areas, though such records are being built up for those areas also. It is *assumed* under the system that a certain proportion of the holding is under food crops, this proportion varying in different areas. Deductions are made on account of uncultivable land and some other factors. Additions to the acreage are made by irrigated land being *assumed* at a multiple of the actual irrigated area sown. On the acreage of each holder thus worked out, the yield, based to some extent on the land revenue assessment, is also *assumed*. The total production is then calculated by multiplying the leviable holding by the *assumed* yield. From this, deductions are made for the cultivator's personal requirements at a certain rate, according to the number of members in his family. The levy is also graduated according to the size of the holding and surcharges are added at certain stages in the size of the holdings. Though these calculations are reduced to the form of tables, there are assumptions and calculations to be made by the village Patwari, e. g., in working out the leviable acreage. The whole work from the initial calculation and the preparation of the levy demand register to the service of the demand on the individual holder falls on the shoulders of the Patwari. Apart from the fact that there is no Patwari for each village, but only one for a number of villages—even 25 to 30 villages in some areas—the attainments and the initiative of the average Patwari in the State are traditionally low, and entirely ill-suited to tackle such complicated work as the Bombay System involves. Nor is there available such strict supervision over the work of Patwaris which would

make up for his ineffective work. There are no doubt Revenue Inspectors (Girdawars), for every 20 to 25 villages, and the Tahsildar, who are supposed to check and supervise the Patwari's work, but in practice this supervision was not there in the required measures to a large extent because even many of these officials did not know the details of the system. The Committee understands that some Bombay food officials toured the State and explained the system to the State Officials and there were other official conference, for this purpose at the inception of the scheme, but the system is too complicated to be understood by such theoretical lessons. Further, apart from the fact that village officers in Hyderabad are not paid officials and are hereditary and cannot be expected to undertake all the work and trouble involved in this levy system, in some of the areas on account of the disturbed conditions, it is difficult to enforce any discipline on village officers as they are not keen on keeping their offices but at the same time are difficult to replace. The special conditions in the State after the Police Action made it all the more difficult to work the system.

78. Naturally, therefore, the levy in the first year 1949-50 was not wholly made according to the Bombay System but was a mixture of both that and the previous system. It is explained that this was because the system was introduced rather late and in the meantime demands had been prepared under the old system. Even in the second year, it has not worked, and in a few districts the system has not been enforced at all and demands continue to be made according to the old system. The Committee was told that in some places a target was fixed for the entire village and the village committee was entrusted with the collection of the target, with the result that the bulk of the quantity was exacted from the small holders, the big holders escaping their share of the burden of levy. In one district where the Collector was a trained Bombay official, the system should have worked, if it was at all possible to work

it, but even he admitted that less mistakes were made in this year than in the previous one, and if the village officers were made paid officials, the system could be worked satisfactorily in the course of five years, which however is a long time to wait for, when the need to procure grains with maximum efficiency is immediate.

### **Failure to enforce**

79. Apart from the unsuitability of the Bombay System for Hyderabad, no serious attempt seems to have been made by the Government to enforce the scheme. The Collectors, who are in charge of the work, were left mostly to themselves and therefore the procurement was limited by the judgement and the initiative displayed by individual officers more than by guidance, drive or co-ordinated effort from headquarters. A Supplies Commissioner was sanctioned for this purpose in September, 1950, and though the order of his appointment specifically mentioned that he was to tour districts and co-ordinate the procurement work of Collectors, he was utilized as an officer of the Secretariat, being appointed as a Joint Secretary, to help the Secretary, and not as the Chief Executive Officer of the Government to provide the necessary guidance, drive and co-ordination in the procurement work in the districts. No doubt he toured the districts, but the Committee found that tour notes of this officer more like those of an Inspecting Officer reporting to the Government minor defects than like those of an officer responsible for co-ordinating and enforcing Government's policy. The absence of an officer actually to do this work is a grave defect in the enforcement of the scheme by the Government. The net result has been that the procurement has not been according to the system notified under statute or any other definite system, and in practice there has been much confusion.

80. The Committee was not, therefore, surprised when told by all sections of the people whom it met, that the

Bombay scheme was not a success in Hyderabad. The result is confirmed by figures of Government procurement. The procurement has fallen, we were told, mainly because of the provision for exemption of 28 maunds for a cultivator's family for personal needs, which resulted practically in the small holdings not being liable for any levy. There was also a temptation for sub-dividing or splitting up for leasing, holdings into small parts in order to be eligible for this exemption in respect of each such part. The concession of allowance for personal requirements and consequent relief to the small cultivator were intended in the Bombay scheme, but as the scheme was worked in practice, levy demands continued to be made on the small holders on acreage or other basis in order to have the procurement target achieved. The expectation that the scheme would give relief to the small holders has, therefore, not been realised. When the system was introduced, the Government expected to secure about 4 lakh tons, and the big fall in procurement should be attributed mainly not to the system itself but to the failure to work the system and to the absolute want of drive and direction from the top.

### **Fixation of procurement targets**

81. The targets fixed for procurement and the actual quantity procured each year for the last six years is shown in Appendix C. The Supply Department was not able to tell the Committee how exactly the procurement target is fixed for the State and even this seems to have been left to the Collectors to fix for their respective districts and report! Targets should be fixed by the Supply Department, after considering the targets suggested by Collectors and raising it, if necessary, with reference to procurement in each district in a few previous normal years and the seasonal conditions of each district for the year. This will ensure uniformity in the principles applied in fixing the target for districts and the fixation of a reasonable target for the State.

## CHAPTER V

# *Transport, Storage and Milling.*

## *Transport*

### **History**

82. The work of transport of foodgrains in Hyderabad assumed importance in the latter part of 1943 after the Hyderabad Co-operative Commercial Corporation had begun to handle foodgrains. In the early stages, when the intention was only to build up a buffer stock, grains were transported by means of whatever carts and private lorries became available at the moment. With the growth of the Corporation and the exigencies of the times there was need for quicker transport and the Government of India was approached to spare lorries under their Lease Lend policy. This request was conceded and 164 lorries were placed at the disposal of the Hyderabad Government. The lorries were under the management of the Nizam's State Railway and were utilised by the Hyderabad Co-operative Commercial Corporation. In addition to these lorries, private lorries and carts and, on occasions even the lorries of the Nizam's Regular Forces and of the British Army and the Royal Air Force, were also obtained and employed for meeting the demands.

### **Transport by railway**

83. Of the three main agencies for carrying foodgrains, the Railway, the lorries and the carts, railway transport has been by far the most convenient form of movement and was utilized by the Hyderabad Co-operative Commercial Corporation as far as it was available. In Hyderabad, the Nizam's State Railway which was till recently (April 1950) a State concern, fully co-operated with the Hyderabad



Co-operative Commercial Corporation, giving the Corporation's traffic priority over other demands. Besides arranging for a liberal supply of wagons at every convenient point and the running of special trains where possible, the Nizam's State Railway showed various other concessions such as the payment of freight by credit notes, giving delivery on indemnity bonds without insisting on the production of railway receipts, honouring reasonable claims arising from shortages in transit and accepting consignments at railway risk.

84. Movement of imported foodgrains allotted by the Government of India from various ports is entirely done by rail. Till 1950 the State Governments were responsible for making the necessary transport arrangements at the ports for moving their quotas. Numerous difficulties are said to have been experienced by the Hyderabad Co-operative Commercial Corporation in regard to these import movements as the foreign railways were generally not agreeable to accept consignments at railway risk and to issue clear railway receipts. They frequently insisted on risk notes being executed and when the consignments tendered for booking were heavy "said to contain" railway receipts were issued and remarks made that counting was not done etc. This rendered it difficult for the Hyderabad Co-operative Commercial Corporation to lodge claims for the shortages noticed at the receiving end, as any such claims were often repudiated by the railways on the grounds that no responsibility had been undertaken as only "said to contain" railway receipts had been issued and risk notes also had been executed thereby exonerating the railway from all responsibility in respect of shortage and loss in transit. This attitude of the railways was perhaps not unjustified from the point of view of their interests, because of the difficulty of observing all the usual formalities before accepting loadings of the huge volume of stocks to be cleared at the ports. In respect of import quotas the Government of India has now taken over the responsibility of giving delivery of quota duly

loaded in wagons, but the work of indenting for wagons and obtaining them is still left to the recipient Governments. The Railway Board who had imposed a wagon requisition fee of Rs. 35 per broad gauge wagon and Rs. 25 per metre gauge wagon (which was of course refundable after the wagons were supplied by the railway and made use of by the parties) have since withdrawn this fee at the intercession of the Ministry of Food. An overall deposit of Rs. 500 is now considered sufficient by the railways.

85. In view of the large and extensive operations of the Hyderabad Co-operative Commercial Corporation, there was great difficulty in arranging for requisite funds at every point for paying freight charges to the railway both for internal traffic and import quotas. To overcome this, it was arranged with the Nizam's State Railway that the freight charges incurred on consignments pertaining to the Hyderabad Co-operative Commercial Corporation would be paid not in cash but through credit notes on which the railway would charge a commission of Rs. 32 per 100 credit notes. A sum of Rs. 2 lakhs is deposited with the Nizam's State Railway in Government Pro-Notes as advance and the credit notes issued by the Hyderabad Co-operative Commercial Corporation representatives at the various railway stations are collected by the Head Office of the Railway and consolidated bills submitted to the Chief Accounts Officer of the Corporation at intervals of a week or 10 days. These bills are audited and passed by the Accounts section. The expenditure on transport has been steadily growing as will be seen from the figures below for the period between 1943 and the end of January 1951. The increase in the last three years is partly due to the enhancement made in the freight charges during 1949 :—

<i>From</i>	<i>To</i>	<i>Months</i>	<i>Amount (O.S.Rs).</i>
1. 25-2-1943	4-4-1944	12	494,612
2. 5-4-1944	4-4-1945	12	1,726,992
3. 5-4-1945	4.4.1946	12	2,139,209

4.	5-	4-1946	30-9-1946	6	1,651,602
5.	1-10-	1946	30-6-1947	9	1,470,832
6.	1-	7-1947	30-6-1948	12	3,953,706
7.	1-	7-1948	30-6-1949	12	4,417,764
8.	1-	7-1949	30-6-1950	12	4,867,353
9.	1-	7-1950	31-1-1951	7	2,765,585
Total...					<u>23,487,655</u>

Notwithstanding the convenience and economy in the transport of consignments by rail, one concomitant disadvantage has been with regard to the shortages occurring in transit and the difficulty in booking consignments at railway risk. The railway are generally reluctant to accept consignments at railway risk except when brand new gunnies of a thick texture are employed for bagging the consignments. This, in the context of the present jute position and shortage of gunnies in the country is almost impossible. With great difficulty the Nizam's State Railway has agreed to accept second-hand D. W. gunnies provided they are in sound condition.

86. Re-weighment of the consignments at the receiving end has also been another problem here as in other States and on other railways. The Hyderabad Co-operative Commercial Corporation has been demanding at least 10% re-weighment of all bags in a sound condition at the destination and a cent per cent re-weighment in case of torn, tampered and damaged bags on the ground that it would be purposeless to book goods at railway risk if the railway did not agree to re-weighment in order to assess the shortage during transit. The Foodgrains Investigation Committee (set up by the Government of India in 1949) examined this question at length in an All-India context and has put forward a compromising procedure on which the railways and the parties could agree, provided each realised that a concession had to be made in favour of the other.

The Railway Board and the Ministry of Railways, after examining these recommendations, have not been able to stretch their rules very much in favour of the parties. They continue to maintain that the railway receipt is only for purposes of computing the freight recoverable from the parties and that it is not an acknowledgement on the part of railways of the total or actual weight accepted by them for carriage. They, therefore, agree to weigh *only* torn and tampered bags and not bags outwardly sound even if they happened to be 'slack'. It is, therefore, now essential that the Hyderabad Co-operative Commercial Corporation should tighten its supervision at the despatching points and also to depute its officers at transshipment points to ensure that no tampering or pilfering of the foodgrains occurs en-route. As transshipment stations are usually known to be the most vulnerable in respect of pilferages and shortages, even Railways agree that parties may post their representatives at those places to prevent any tampering with the consignments. In the case of consignments moved by special trains the railways have agreed to permit an escort on behalf of the consignors to accompany the train on the execution of the usual indemnity bond and on payment of only a third class fare. Detailed instructions for examining the seals on the wagons and the condition etc. of wagons on arrival at destination have been laid down by the Government of India, and the Supply Department has advised the Hyderabad Co-operative Commercial Corporation to comply with these instructions with due care.

87. It has also been lately agreed, with the concurrence of the Finance Department, not to prefer against railways, any claims for amounts below Rs. 10 as it was found that the correspondence and allied work involved in attending to these claims far exceeded the amount involved.

88. In spite of the priority given to foodgrain movement the necessity frequently arises for having to store

fairly large stocks of foodgrains on the railway platforms to be available for loading immediately on the allotment of wagons. Covered accommodation available at railway stations is neither sufficient nor entirely earmarked for the Hyderabad Co-operative Commercial Corporation traffic. The railways appreciate that foodgrains have to receive due attention but at the same time perishable and other commodities such as salt and sugar, must necessarily be kept under covered accommodation to prevent total damage in the event of rains. Construction of suitable sheds at important stations is already receiving the attention of the Government of India who have called for the necessary particulars from various States and it is possible that these difficulties may be overcome in due course. At the moment, at important places such as Nizamabad and Peddapalli which, in addition to being despatching stations for their stocks, act as clearing centres for the foodgrains of various interior districts, the Hyderabad Co-operative Commercial Corporation has taken lands on lease and put up temporary sheds near the railway stations.

### **Transport by road—private lorries**

89. In spite of the relatively easier and more economical transport available by means of rail, a very substantial portion of internal movement by lorries is unavoidable in Hyderabad where the net work of railways is comparatively limited and various producing centres remain unconnected by rail. For the bulk of road traffic of foodgrains the Hyderabad Co-operative Commercial Corporation makes use of lorries. In the early years one or two contractors were being registered and posted to each district and were made responsible for all the road traffic of that district. With greater stabilisation and experience it was realised that the road movement could be regularised and greater economy effected by inviting tenders from all contractors willing to work for the Hyderabad Co-operative Commercial Corporation. Each year during October tenders are called for from each district

and from the city of Hyderabad, notifying the various routes that are to be covered by the contractors. These tenders are examined by a tender committee consisting of the Managing Director, Chief Accounts Officer, Chief Transport Officer and Deputy Financial Adviser who submit their recommendations to the Supply Secretary and the Chairman for final approval. The rates that were secured as a result of this competition among tenderers during the years 1948-49 and 1949-50 show a gradual reduction. These rates are shown in Appendix D. These reduced rates compare favourably with those obtaining in Bombay and Madhya Pradesh. The quantities moved by the private lorries and the approximate cost of the same during the years 1948—1950 is shown in Appendix E. This excludes the transport work done by the Road Transport Department and the Hyderabad Co-operative Commercial Corporation lorries.

90. The movement of foodgrains by lorries was subject to intimate checks for example, by the issue of a transit slip and a “Jeem” ( जेम ) form. The transit slip is presented at the receiving godown by the lorry contractor who carries the grains from the issuing godown, and a certificate obtained showing the actual quantity delivered. The receiving godowns were expected to weigh the grains completely before certifying the quantity received. The shortage in transit was made the responsibility of the contractors from whose bills the cost was being recovered. This liability was, however, questioned by the contractors, as some shortages were inevitable. The discrepancy in the weights and scales at the despatching and receiving godowns, and a small amount of dryage were partly responsible for the apparent shortage. This contention was considered reasonable and the Hyderabad Co-operative Commercial Corporation compromised by agreeing to allow (with the concurrence of the Finance Department) a margin of .25% for such losses. In case the shortage exceeded the quantity an amount equal to three times the cost of the excess shortage was recovered from the

contractors. This arrangement compares well with the tolerance allowed for transit losses in Bombay where the margin is .5%; losses beyond this margin are recovered by a penalty of three times the cost of the grains. This is intended to serve as a deterrent against pilferages *en route*.

91. While the Hyderabad Co-operative Commercial Corporation has laid down the necessary procedure for elimination of malpractices in transport, there have been instances where lorry loads of grains were deliberately miscarried and sold in the black market or grains were unauthorisedly moved out of the godowns, in many cases with the connivance of the lower officials.

### Railway lorries

92. The Road Transport Department of the railway which was working for the Corporation from the very inception, had been charging unduly heavy rates for transport. During 1946 to 1948 their rates of transport were Rs. 0-7-0 per lorry mile plus Rs. 28 per day (as time charges) for a working day of 8 hours. During 1949 the rates were Rs. 0-10-9 per lorry mile plus Rs. 38 per day for a working day of 8 hours. Later in the year these rates were revised as Rs. 0-14-0 per lorry mile subject to the condition that each lorry should be provided with work for 50 miles each day. These rates were still higher than those of the private contractors and therefore at the insistence of the Hyderabad Co-operative Commercial Corporation, the Road Transport Department revised their rates again in 1950 as follows :

- Re. 1 per lorry mile for a 6-tonner Diesel lorry,
- Rs. 1-4-9 per lorry mile for 3½ tonner petrol lorry, and
- Rs. 1-9-0 per lorry mile for a 10 tonner lorry.

Though this was a marked improvement on their previous terms, there was another snag as the Road Transport Department claimed Re. 1 per lorry mile as empty mileage for return journey. In the aggregate their rates therefore

continued to be far higher than private lorries. In addition, the Road Transport Department laid claims to preferential treatment and better terms of work ; for instance, they would refuse to work on bad routes or roads intercepted by streams or "nallas" during the rainy season and thus leave the important requirements of the Hyderabad Co-operative Commercial Corporation unfulfilled. For those places it became frequently necessary for the Hyderabad Co-operative Commercial Corporation to employ private lorries with the result that the Road Transport Department lorries worked at higher rates on good roads while private lorries worked at lower rates on bad roads. This naturally meant difficulties for the Hyderabad Co-operative Commercial Corporation with contractors or private lorries. With the food position hanging in the balance and with this inflexibility and lack of adjustment on the part of the Road Transport Department, the Road Transport Department lorries ceased to be employed by the Hyderabad Co-operative Commercial Corporation and were replaced by private lorries to keep the Hyderabad Co-operative Commercial Corporation's 'incidental' expenditure as low as possible.

### **Hyderabad Co-operative Commercial Corporation lorries**

93. The vastness of the Hyderabad Co-operative Commercial Corporation transport work attracted a large number of private contractors, even those who were not in this business. With the Hyderabad Co-operative Commercial Corporation's attempts to economise, it noticed a tendency on the part of the lorry contractors to combine and resist curtailment of rates to the point of sabotaging the transport by organising strikes. To meet this situation and to ensure a continuity of service in times of emergency the Hyderabad Co-operative Commercial Corporation organised a road transport section of its own by purchasing 42 trucks, 6 Jeep cars, 3 station wagons and 2 motor cycles. A compact workshop was also maintained under this section to attend to



the usual repairs etc. Many of them were reconditioned trucks which could not be permanently put on the roads and, therefore, constantly remained idle and required repairs. Sufficient co-ordination was also lacking between the go-downs and the transport section with the result that while private lorries received loads, the Hyderabad Co-operative Commercial Corporation's own lorries remained idle. With these handicaps and certain mishandling of stores in the initial stages, the road transport section was not able to make itself felt. On the analogy of the Road Transport Department, the Hyderabad Co-operative Commercial Corporation lorries calculated their earnings on the same rates of Rs. 0-7-0 per lorry mile and Rs. 28 per day. These rates were arbitrary and not based on cost accounts. Considering the actual expenses, the Hyderabad Co-operative Commercial Corporation lorries should be costlier than private lorries. The Transport section has not kept a regular watch of its expenses compared with the work done by its lorries. It is, however, explained that without taking into account the establishment charges of the section, the expenditure on the Hyderabad Co-operative Commercial Corporation lorries varies from 7.32 pies per palla per mile to 18 pies per palla per mile which is really high. Viewed in this light the continuance of this section in the Hyderabad Co-operative Commercial Corporation is costly. The Hyderabad Co-operative Commercial Corporation lorries do, however, serve as a stand-by when the private contractors fail. This duty was discharged in the difficult period of 1948 when transport work was almost breaking down in the districts of Warangal and Nalgonda. Even now the collection of levy grains from interior villages entailing heavy damages to the vehicles in having to run on cart tracks has fallen to the lot of the Hyderabad Co-operative Commercial Corporation vehicles. This part of the transport work in the disturbed districts has been a serious financial strain not only due to the long distances covered but to the frequent damages to the vehicles requiring repairs at heavy cost. The Hyderabad

Co-operative Commercial Corporation, however, still hopes that if properly and systematically utilised, the Hyderabad Co-operative Commercial Corporation lorries could work economically and the section turned into a profitable concern.

### Transport by carts

94. Cart movement is admittedly the costliest of all the three agencies of transport. It is, however, indispensable for cross country movements, on roads where lorries could not easily ply. The Hyderabad Co-operative Commercial Corporation employs this agency, chiefly, either at the initial stage of shifting grains from the procurement centre to the godowns or for short distances from godowns to rail-heads and *vice versa*. The tendency for a rising spiral of rates by carting contractors has been particularly in evidence in districts like Parbhani, Adilabad and Bhir. In the early years, the Taluqdars extended co-operation by requisitioning carts or by unofficial compulsion placing the carts at the disposal of the Hyderabad Co-operative Commercial Corporation. As in the case of lorries, so with carting, district-wise tenders are now being invited from the local cartmen or agents (Hundikars) a month ahead of the tender year (i. e. during September) by the District Collectors, and sanctioned by the Managing Director and the Finance Department, after scrutiny and negotiations where the rates quoted are too high. As a result of these efforts, the average carting rate during 1950 has come down by one pie i.e. from 2 as. 9 ps. per palla per mile to 2 as. 8 ps. There has, however, been a tendency for cart contractors to apply for higher rates for some reason or other. This should not be encouraged if the object in fixing rates on the basis of tenders is to be achieved. The total quantity shifted by means of carts and the transport charges paid therefor during 1950 are shown in Appendix F.

95. All the precautions taken in regard to lorry transport for the safe and correct delivery of grains are

taken in the case of cart transport also. Shortages up to .25% are allowed and for quantities beyond this limit, a penalty of 3 times the cost of the shortage is levied. In the cases of transport, the feeling of the Hyderabad Co-operative Commercial Corporation is that the shortages are not due to any deliberate or intentional *mala fides* on the part of the contractors, but from factors natural and beyond the control of the contractors.

## Storage

### History

96. Ever since food situation began to attract attention, storage of foodgrains in any appreciable quantities in Hyderabad has been in the hands of the Hyderabad Co-operative Commercial Corporation. Previously, the methods employed for storage were almost crude and unscientific, and the need for expanding arrangements for storage along with the intensification of procurement efforts was not fully appreciated. The Hyderabad Co-operative Commercial Corporation started by employing a trade agency for storage at various places, which included the work of receiving grains into the godowns and arranging their despatches as required by the Hyderabad Co-operative Commercial Corporation. Though the agents appointed had been recommended by trade associations, the irregularities committed by those agents were too numerous. In the circumstances, the Hyderabad Co-operative Commercial Corporation had to consider seriously the replacement of the trade agency by some other arrangement. At the end of 1944, there were about 200 trade agents working with about 1,400 godowns in their charge. The system continued during 1944-45 when the number had become 258. During that year the Government decided to change the arrangements and at the same time to encourage co-operative movement in the districts by entrusting Co-operative Unions designated as the 'Taluqa Development Unions' with the

work of receiving, storing, supervising and issuing grains. About 100 such unions were formed; they were paid a flat rate of commission of 2 as. per palla of paddy and 3 as. per palla for all other grains and a security deposit ranging from Rs. 2,000 to Rs. 12,000 was required from them. In 1945-46, there were 78 private units (in non-khalsa areas), 161 co-operative units, and 8 Hyderabad Co-operative Commercial Corporation godowns working.

97. The trade agents working in non-khalsa and Jagir areas failed to pay the ryots regularly for grains purchased from them which led to a set-back in procurement. To effect prompt payments and to encourage procurement, the godowns situated even in non-khalsa and Jagir areas were taken over by the Hyderabad Co-operative Commercial Corporation and run through their own staff. In 1948-49, the Co-operative Units started relinquishing the work entrusted to them. Due to the absence of effective control, profits were either misappropriated or concealed by those in charge, resulting in huge losses and shortage in stocks. In the circumstances, the Government decided to wind up these unions and entrust the work to private individuals subject to heavy security, or the Hyderabad Co-operative Commercial Corporation staff. 30 Co-operative Units were so replaced in 1948-49; by the end of that year, there were 159 Co-operative Units, 27 private units, and 82 godowns managed by the Hyderabad Co-operative Commercial Corporation. In 1949-50, more Co-operative Units declined to function and were replaced. The up-to-date position is: Co-operative Units 29; Private Units 18; and 224 Hyderabad Co-operative Commercial Corporation godowns. Due to the indifferent work of the Co-operative Units and the irregularities committed by them, the Corporation suffered huge losses. Most of them did not submit their bills in time for the commission payable to them which led to delay in payment. On account of this and the disallowances made in their bills for irregularities, there

was resentment among the Co-operative Units. For the settlement of their claims, a Board of Arbitration was set up by the Government and it started work in April 1950, and has continued. So far the Committee has decided 70 cases.

98. Though the Private Units were terminated long ago, some of them have not yet submitted their accounts for check in spite of instructions. A Committee of officials is sitting to consider and settle the accounts of these units: 146 units and about Rs. 10 lakhs were involved, of which the claims of 43 units involving about Rs. 75,000 have been settled. The Committee is continuing to sit for settling the balance.

### **Godown arrangements**

99. Want of suitable storage accommodation has been a serious problem in the State especially in the districts. Only buildings with mud walls and ordinary country roofing could be secured, and even these were not available in sufficient numbers to cope up with the quantities of grain collected by the Government under their levy schemes. The State Government had considered various schemes for building godowns but the only schemes that materialised are the construction of the Central Godowns at Hyderabad (Nampally and Kachiguda) with a capacity of 1.6 lakh bags, and the erection of T.N. Huts and M.B. Sheds originally utilised by the Army. The Central Godowns, Hyderabad, were completed in 1944, and the erection of T.N. Huts and M.B. Sheds was entrusted to a Trust with a corpus of 63.56 lakhs provided from the Excess Profits Tax and surcharges on pulses etc. Private buildings, however, still continued to be hired, the construction of these being encouraged by the supply of iron and cement at the controlled price.

100. Lack of suitable storage accommodation resulted in heavy losses in the early stages. The physical verification of stocks conducted in 1946 revealed that as against a

book balance of about 22 lakh pallas, the actual stocks were only 18.75 lakh pallas. Although on the basis of the total turn-over up to that date the loss worked out only to about 2.26%, there is no doubt that a substantial portion of the loss was due to the unsatisfactory conditions in which the grains had been stored. With the construction of the Central Godowns at Hyderabad and with the expansion of the scheme of erecting M.B. Sheds and T.N. Huts, the storage conditions have very largely improved. The following is the position regarding storage accommodation in the State at present :—

	No.	Capacity (bags)	Rent
			Rs.
1. M.B. Sheds; T.N. Huts; and Pucca godowns:	190	14.44 lacs	29,520
2. H.C.C.C. Godowns	9	1.70 „	..
3. Private buildings	775	33.92 „	23,710
Total :	974	30.06 lacs	Rs. 53,230

Orders have been placed for the construction of 40 more godowns in the districts. These additional godowns should further reduce difficulties.

101. In addition to the godowns referred to above, the Hyderabad Co-operative Commercial Corporation had also to run receiving centres seasonally for 3 to 6 months in the year at various places in the districts for receiving, weighing and despatching grains surrendered by the ryots under the levy schemes. For the convenience of the ryots, it was first intended that there should be a receiving centre within 7 miles of each producing village, which would mean about 20 to 50 centres in each district, but as a matter of fact only 219 centres were established in order to cut down expenditure. The Hyderabad Co-operative Commercial Corporation was running these centres with its own staff.

## Scientific storage

102. Till about 1949, there was no system of scientific storage in the State and bags of grains used to be piled in a way which did not admit of proper aeration of the grains, physical verification of stocks, or detection of any manipulation of stocks by the Storekeepers; nor was there any system of recording shortages in transit or cleansing or storage. In 1949-50, instructions were issued on godown hygiene and proper stacking and disinfection of stocks, and also on periodical inspections and verification of stocks. These instructions have improved the method of storage and maintenance of grains, and the storage in the State can be compared favourably with any advanced State in India.

## Preservation and preventive methods

103. Scientific methods of storage and preservation of grains are essential in the case of Government storage. A large quantity of grains is usually collected within a few months after the harvest and has to be stored practically throughout the year for use, particularly, in the lean months. In the case of private trade the stocks are turned over comparatively more quickly and even if the grains show signs of deterioration, the trader would be on the look-out for an opportunity to dispose of the stocks. The Government cannot do this, but have to preserve the stocks till they are issued in the ordinary course, by scientific disinfection and other means. The cost of storage of Government stocks is, therefore, necessarily higher than in private trade.

104. Till about 1946, preservation of foodgrains in the charge of the Hyderabad Co-operative Commercial Corporation, prevention of damage by rodents and weevils, and deterioration due to continued storage, were a problem, because there was no proper Entomological staff to look after the grains. There had been an Entomologist previously, but he did not work continuously, and even when

he worked, he had no suitable staff to assist him. Since then, however considerable improvement has been brought about by the appointment of one Entomologist, 6 Zonal Inspectors, 16 Assistant Zonal Inspectors, and 32 Kamgars. A number of officers and godown staff were trained in classes held at Delhi and Bombay by the Government of India from time to time. The Entomological staff has been supplied with the necessary equipment and insecticides etc., to treat deteriorated or infested grains. The Government of India have been stressing the need for the appointment of suitable Entomological staff in every State for this purpose and their storage officers have been going round the States holding classes and training the local staff. The staff in Hyderabad have been benefitted by the visits and lectures of those officers. All this has contributed to a distinct improvement in the storage conditions in the State. The results of a physical verification of grains at the end of September, 1950, shows that the storage losses have been greatly reduced, the percentage of loss being .75 on the average.

## *Milling*

### **History**

105. The milling of paddy being a slightly complicated affair has always formed a subject for separate consideration. In view of the technicalities involved, such as the mechanism of the mill and the care that had to be taken for the proper upkeep of the mill without which large and appreciable fluctuations occur in the 'Utara' (out-turn), the Hyderabad Co-operative Commercial Corporation was unable in the beginning to determine the exact percentage of rice that should be recovered from the mill-owners after the milling of paddy was done. The difficulties were, no doubt, many as the yield of rice was dependent not only on the condition of the mill but on the particular variety of the paddy and the moisture content present in the paddy



at the time of milling. For want of spare parts and owing to delays in inspection and renewal of licences by the Chief Inspector of Boilers and Factories, it is said, that the rice mills in the earlier days frequently remained idle and the Hyderabad Co-operative Commercial Corporation being interested in the proper running of the mills had either to supply the requisite spare parts to the millers or intercede with the authorities for conducting inspections and renewing the licences.

106. During 1943-44 and 1944-45 only the removal of konda to the extent of 25-35% was desired and in consequence the inferior qualities of rice could not be polished sufficiently. The District Corporation Officers were supervising the work of milling and, by conducting periodical experiments, fixing the 'Utaras' for each mill in their jurisdiction. Three milling Inspectors and three Fitters were also appointed to assist them on the technical side but still the question of determination of utaras was not resolved. The Taluqa Corporation Officers who were made responsible to look after the milling could not attend to this work satisfactorily. In 1945-46, after various experiments, the standard of 'Utaras' was fixed as :—

Rice Mota	Abi	65%	Kanki	2%
	Tabi	64%	"	2%
Rice Kichdi	Abi	67½%	"	2%
	Tabi	67%	"	2%

### Fixation and revision of Utara

This scale was, however, not rigidly kept up, as in the case of Nizamabad and Karcemnagar the utara was allowed to fluctuate between 66-69% inclusive of 2-3% kanki depending on the different kinds of paddy. Till the end of 1947-48 a commission of Rs. 1-5-0 to Rs. 1-8-0 per palla of rice was being paid to the millowners and the by-products namely, konda and param, were taken over by the Hyderabad Co-operative Commercial Corporation. During the

beginning of the next year the utaras were revised and fixed as :—

1. Guttal Rice (very coarse) 66% including kanki and param
2. Mota Nos. 1 and 2            68%                            do
3. Barik Rice                        69%                            do

Commission to the millowners was fixed at Re. 1 per palla leaving konda and chittu to the millowners.

With the imposition of a ban on the polishing of rice in accordance with the policy of the Government of India, the utara for dehusking of paddy was raised to 75% but it was felt that this figure was not possible to attain, in view of local difficulties and large differences in the qualities of paddy. The minimum outturn, after some scrutiny, was therefore fixed at 74%, and later revised as under, after the appointment of a Special Officer for Milling, and the commission to the millowners was raised to Rs. 1-12-0 per palla, only chittu being left with them :—

		Mota	Barik
Dust	...	0.5	0.5
Paddy	...	1.0	1.0
Brokens		4.0	4.0
Fragments	...	0.5	0.5
Head Rice	...	65.0	67.0
	Total	<u>71%</u>	<u>73%</u>
Kala Mocha	64%	Rice	64%
Rice Guttal	,	Kanki	3%
		Konda	3%

Again when the Government of India relaxed the ban on the polishing of rice, orders were issued for the removal of bran to the extent of 3% in the case of Mota and 3.75% in the case of Barik rice for all districts. For Guttal rice, the removal of 4% bran for the districts of Warangal, Kareem-nagar, Nizamabad and Mahbubnagar and 6% for

Hyderabad, Raichur, and Nalgonda was allowed. For the latest Abi season of 1950-51 the following utaras were fixed:-

Mota	70%
Barik	71%
Guttal for Warangal and Kareemnagar districts	68%
Mahbubnagar	69%
For other districts	67%

The standards of the rice which is to be delivered by the millers to the extent of the utaras fixed have been defined and a specific sample of the rice is maintained for the guidance of the miller and the department. If the rice delivered is not according to the sample, refraction cuts are enforced to compensate for the difference between the fair average quality standard and the actual quality produced by the miller.

107. At the time of procurement, paddy is generally received directly at the mills but when sufficient space does not exist with the millers then the paddy is received at the godowns and later sent to the mills for milling. The millers are expected to maintain the accounts of milling by keeping a conversion register showing the quantities of paddy received by them, quantities milled, utaras obtained, the rice delivered to the Hyderabad Co-operative Commercial Corporation after milling and the quantities of paddy and rice remaining with them unmilled or undelivered. These accounts are audited by the Chief Inspecting Officer, Supply Accounts. The millowners are expected to submit bills for their commission for check and payment. But there are instances of millers not submitting their bills and their accounts pending for months, or even for years. Some millowners never even maintained the prescribed registers. From 1943 to 1946, when there was no verification of stocks, or checks on utaras and, therefore, no scope for determining whether the entire yield of rice was deliver-

ed or not, it was easy for the millers to manipulate stocks and black-market paddy and rice. In fact, rice mills did, in the absence of proper supervision, become centres of activity for black-marketing.

108. In spite of these improvements and restrictions introduced, there are cases wherein the accounts have not been submitted and settled. It is in the interest of dishonest millers not to settle accounts, to avoid detection of irregularities or malpractices committed. The amount involved in the bills pending settlements still is about 2 lakhs. These bills relate to the years from 1947-48 onwards.

109. In order to check malpractices and regulate the flow of paddy to the mills, they are now given only such quantities as they could mill in a season of about 3 months, and until the accounts for those quantities are settled and rice is delivered according to the prescribed utara, no further quantities are given for milling.

## *Distribution (Rationing)*

### **Origin and development of Rationing**

110. During the war, when prices rose and, with price control, foodgrains began to go underground the Government of Hyderabad decided to acquire stocks of foodgrains for distribution to the population at reasonable prices. The first measures for such distribution were taken in 1943 with the issue of the Hyderabad Rationing Preparatory Measures' Regulation and the Hyderabad Rationing Order. These were the bases of rationing in Hyderabad which developed into a full-blown system in course of time. Along with foodgrains, kerosene oil and sugar also were rationed. At the outset, distribution was made through the Air Raid Precaution organisation, but later when that organisation ceased to exist, the work was taken over by a Rationing Department under a 'Director of Rationing'. The Hyderabad and Secunderabad cities, and Warangal town were statutorily rationed in 1944, Khammam town in 1945, and the Collieries in 1946-47. These areas have ever since continued under statutory rationing. In 1944-46 15 more towns in the State were statutorily rationed and also two taluqas of Hyderabad district; but with the Central Government's de-control policy in 1948, statutory rationing was withdrawn from these areas. Recently, preliminary arrangements were made to introduce statutory rationing in 5 district towns, but for want of sufficient stocks, this idea was given up. Before de-control in 1947-48 the population under rationing in the State was, 'Statutory' 2,243,000, 'Non-statutory' 5 lakhs; the population under rationing now is, 'Statutory' 1,349,095, 'Non-statutory' 2,916,959.

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Statutory rationing, informal rationing and bulk

provisioning, have been the systems of rationing in force in the State. The Statutorily rationed areas are under the control of Rationing Department. The other areas are under Collectors of Districts.

### **Statutory Rationing—Legal sanction**

111. *Statutory Rationing* is backed up in the State by the following usual rules and regulations:

1. The Hyderabad Preparatory Regulations.
2. The Hyderabad Enquiry Order (relating to establishments and institutions).
3. The Essential Articles Restriction Order.
4. The Hyderabad Rationing Order.
5. The Rules under the Hyderabad Rationing Order.
6. Instructions to Shopkeepers.
7. Flour Mills Licensing Order.
8. Foodgrains Control Order.
9. Austerity Order.

These exclude other similar orders for kerosene, sugar and medical drugs.

### **Card system**

112. The issue of rations, which is on ration cards distributed in these areas to the population was based on the results of an independent enumeration conducted by the rationing staff through house to house enquiry. Till recently, individual cards were issued, i. e., one card for each consumer. This has now been replaced (in May 1951) by the family ration card system which means one card for a family. The family card system is more economical in respect of stationery and labour, and also convenient to keep, instead of as many cards as there are members.

Rationed cities are divided into wards, and each ration card is attached to a Ration Shop situated in the ward in which the card-holder resides. Issues of rations are weekly.

## **Shops**

113. The ration shopkeepers are selected by the Director of Rationing under the advice of a non-official Advisory Committee. As far as possible, Co-operative Societies and Consumers' Co-operative Unions are encouraged to take up ration shops. In Hyderabad city alone there are ten ration shops under the control of the Co-operative Societies. Generally, only one ration shop is allotted to a retail dealer. The accounts maintained by the ration shopkeepers are stock accounts, sales registers, and cash memo books. About 2,500 individual cards are attached to each shop. There are in all 748 ration shops, of which 544 are in Hyderabad and 106 in Secunderabad. The grains issued are rice, wheat and millets (chiefly jowar). The scale of rations has been 12 ozs. (all grains) per head per day until March, 1951, when it was reduced to 9 ozs. according to the policy of the Government of India. Heavy manual labourers are given 4 ozs. more each. Students residing in hostels, and pregnant women and nursing mothers, are also allowed extra rations.

## **Rationing organisation**

114. The rationing organisation in the statutorily rationed areas is controlled by the Director of Rationing functioning as the head of the department. He is assisted by three Deputy Directors and three Assistant Directors. There are 17 Rationing Officers, one in charge of each ward, assisted by Assistant Rationing Officers of whom there are 25 in all. There are 271 Inspectors in Hyderabad City and 336 in all the areas together, to inspect ration shops and make enquiries on application for cards, etc. There is also the usual staff of clerks, accountants, typists, etc. There were till recently a Mobile canteen and a Crime Section, but these were abolished as a measure of retrenchment. Work in the Director's Office is divided among the Deputy Directors and Assistant Directors. In addition to their office work, the deputies and the assistants are required to

inspect Ward Offices and ration shops every week. The Rationing Officer of the area comprising a ward is responsible to the Director for the efficient working of rationing in his area, effective inspection of shops and establishments, and for the prompt issue of ration cards. Each Rationing Officer has got an Assistant Rationing Officer and Inspectors to help him in his work. The Inspectors see by periodical ~~inspections~~ inspections that the shopkeepers maintain their accounts properly and run the shops according to rules, and check the indents of the shopkeepers for issue of grains, etc. Each Inspector is in charge of about 8 to 10 ration shops and institutions. To avoid their possible collusion with shopkeepers and other malpractices, no Inspector is kept in any one area for more than a week. There are women Inspectors to attend to enquiries about pardah women and for house to house checking so far as women are concerned. There is also a flying squad of Inspectors to inspect and keep a close contact with the Police Department and through their help deal with cases relating to violation of rules. Checking of bogus cards is also done by constant inspection through house to house enquiries. In Aurangabad, Jalna, Bhir, Nanded, Bidar, Yadgir, Raichur and Gulbarga where informal rationing is in force, Rationing Officers and Inspectors have been appointed to supervise the arrangements under the control of the Collectors.

### **Expenditure**

115. The total expenditure incurred by the Government for maintaining statutory rationing was about Rs. 14.75 lakhs per annum which worked out Rs. 4-9-11 per maund and 15 as. 1½ ps. per head of the population resident in the rationed areas. There has since been some retrenchment which has brought down the expenditure to Rs 13.25 lakhs.

### **Informal rationing and fair price shops—Working**

116. This method of distribution of grains is operating in the districts, under the control of the Collectors. In



most of the areas, there are ration cards, but in some cases lump allotments are made to the Fair Price Shops by Tahsildars, and the shopkeepers distribute them as well as they can. There are 853 Fair Price Shops and 147 Cheap Grain Shops in the State, which are opened and maintained according to actual needs. The distribution through these shops cannot be satisfactory, especially when stocks are insufficient for the whole State, and statutorily rationed areas are looked after first. Naturally, therefore, rations, when issued, are low, and very often they are not issued for want of stocks. The terms, 'informal ration shops' and 'Fair Price Shops' have been used loosely in the State and in practice they mean one and the same thing; though, strictly in the case of informal rationing, grains should be issued only on ration cards which are based on the usual enumeration of the population.

117. Considering that the Monopoly Purchase System (which means that no sale of grain can take place except to Government) has been introduced statutorily as a part of Government's Procurement System, all the landless population in the State should have been rationed by the Government. In practice, Monopoly Purchase has not been enforced at all, private sales have been taking place all over the State, and the quantity of grains at the disposal of the Government, is only what is procured by the compulsory levy, which quantity is not sufficient for State-wide rationing.

### Criticisms

118. The system of statutory rationing and the rules and regulations about it are perfect and are fairly well enforced.

Considering that imports into statutorily rationed areas are prohibited, the reduction of the scale of rations, as has been done recently, below the minimum reasonable quantum of 12 ozs. defeats the main objects of such rationing. Most

of the population cannot subsist for long on 9 ozs. per day, which is the existing scale, and depend partly on the black market which, on account of large demands, is flourishing. Such demands outside the ration in rationed cities make Government procurement of grains difficult, and the grains which should normally be purchased by the Government and distributed at reasonable prices go into the hands of profiteers and black-marketeers. The main objects of Statutory rationing, namely, to restrict consumption, especially in large urban areas, to reasonable levels and cut out waste, check prices and blackmarket, ease the food supplies and prices position in the rural areas to that extent, and to make Government procurement easier, are all defeated. The Committee is aware that this reduction of the quantum of ration is according to the Central Government's orders, but it seems to the Committee that such further restriction of rations in statutorily rationed areas where consumption is already restricted, and having no such restriction in other areas where the population could buy and eat any quantity they can, is unfair to the population in the statutorily rationed areas. It is also suicidal to do so because such undue restriction encourages large scale black-market and retards internal procurement, and makes the country all the more dependent on foreign imports to reduce which is the avowed policy of the Central Government. The proper course, is to isolate statutorily rationed areas completely, and to issue reasonable rations in them so as to cut out the black-market; then the grains that would otherwise be sold in the black market in those areas would be available to the other rural areas, keep down prices there, and also help the government in their internal procurement. By experience it is well known to the Central and State Governments that the percentage of off-take (sales in ration shops) does not go down proportionately with reductions in the quantum of the ration. If 12 ozs. per adult per day are prescribed for issue, the average actual sale would be about 10 ozs. per head, whereas when it is

reduced to 9 ozs. the actual sales would very nearly be the same. The saving, therefore, in the actual quantity of grains sold is not considerable, but the effects are harmful psychologically and materially. The Committee is surprised that the Central Government in spite of their past experience, should have ordered a cut, and a further cut, in areas where the consumption was already restricted strictly.

119. The Committee feels that the rationing organ<sup>7 1/2</sup>isation in the statutorily rationed areas in the State is too large and is capable of further retrenchment. Considering that the Rationing Department has only 5 cities and towns to administer, 3 Deputy Directors and 3 Assistant Directors are unnecessary. One Deputy Director and 2 Assistant Directors should suffice. The distribution of work among these shows that each Deputy Director should inspect at least two ward offices in detail every week and one shop by surprise every day, and each Assistant Director should inspect four ward offices every week, and one of them should also inspect two ration shops every day and another should make surprise visits to shops when necessary. There are 271 Inspectors (including one Chief Inspector, one Deputy Chief Inspector and a flying squad), all inspecting shops which number only 544. There are too many officers to inspect ward offices, and if all of them did inspect according to the prescribed programme, the ward officer would have no time to attend to his own work. Fortunately these inspections are not really done so often, nor is it done effectively. The Committee found in a ward office the register of applications for cards written up wrongly with only the numbers of the applicants written and nothing else written against those numbers. The office took considerable time to explain this to the Committee. If the Inspecting Officers had done their inspection effectively, this would have been found out by them, and an explanation would have been recorded in the register or, at least, would have been forthcoming immediately at the Committee's inspection.

It looks as though no inspecting Officer has noticed this in an important register like the register of applications.

The register of applications does not show the progress in their disposals. The issue of cards is recorded in another register and in such a way that it is difficult to trace out the applications in the second register. It would facilitate daily check by the Rationing Officer himself, and also by inspecting Officers, if the application register provided suitable columns to show the progress up to the actual issue and the date of issue of ration cards. This was pointed out to the Director and he promised to have this done.

Again, the system of filing applications disposed of does not admit of their being traced for any future reference, as for example, when a duplicate card is applied for, without reference to the retail shopkeeper concerned. This involves avoidable delay in complying with further applications by the same individual. This is because the old applications are filed in their serial order, and not ward-wise and block-wise. If the applicant gives his name and the name of his street, it should be possible from the concerned block file to trace his original application and the particulars of the card issued to him, without spending time to get information from the concerned ration shop.

The Committee observed some minor irregularities in ration shops but they do not deserve special mention as they are bound to occur here and there in large areas like cities. But it will be better if more surprise visits are paid to shops by the Inspecting staff, than routine inspections, and when once a shop is visited, a thorough and effective check is made of the accounts, the stocks and the cash. The Inspecting staff is capable of reduction and, instead of having a large number of them on low pay below the level of subsistence, it would be more useful to have a less number on a better pay. The system of transferring Inspectors from

one area to another every week is not altogether advantageous; no individual Inspector can be held responsible now for irregularities in a shop. An Inspector should be kept in an area for at least two or three months.

### Rural Rationing

120. On account of want of sufficient stocks, rationing in rural areas is not done according to any definite <sup>or</sup> uniform system, but is left almost entirely to the discretion of the Collectors. In some places, ration is issued on cards, but in some, bulk issue is made to fair price shops by the Tahsildar according to the needs of the locality or according to stocks available in the district. In some areas again, ration is issued not to all the population but only to certain lower income groups. The total population under rural rationing is about 29 lakhs and out of this, about 4 lakhs are covered by ration cards. These figures are only rough; exact figures are not available. The distribution is all done through Government's 'Fair Price Shops' and 'Cheap Grain Shops' run by licensed dealers. The quantity of grains issued for rural rationing has been about 120,000 tons per year. Appendix G shows, districtwise, the population under rural rationing and the number of shops.

121. Rural rationing in Hyderabad has been haphazard and, therefore, unsatisfactory. In theory informal rationing, fair price shops and bulk rationing are in force, but in practice the distinction between these forms of rationing has not been understood, but all the shops are called 'fair price shops'. Informal rationing is planned beforehand, census of the population is taken and cards are issued on that basis. It is exactly like statutory rationing except that it is not backed by law and there is no guarantee of rations which would depend on stocks available. 'Fair Price Shops' are opened for temporary periods when there is shortage in any area or prices rise there; fair price shops





